Domestic Revenue Mobilization Strategy

Semi-Annual Monitoring Report

Financial Year 2023/24

April 2024

Budget Monitoring and Accountability Unit
Ministry of Finance, Planning and Economic Development
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ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AGO	Accountant Generals Office
AEOI	Automatic Exchange of Information
AIA	Appropriation in Aid
BMAU	Budget Monitoring and Accountability Unit
Bn	Billion
CIT	Corporate Income Tax
CF	Consolidated Fund
COVID-19	Coronavirus Disease 2019
DINU	Development Initiative for Northern Uganda
DTS	Digital Tax Stamps
DRMS	Domestic Revenue Mobilization Strategy
EAC	East African Community
EFRIS	Electronic Fiscal Receipting and Invoicing solution
EPR	Effective Protection Rates
EPRC	Economic Policy Research Centre
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
ICT	Information Communication Technology
IMF	International Monetary Fund
IRAS	Integrated Revenue Administration System
LED	Local Excise Duty
LGFC	Local Government Finance Commission
LGs	Local Governments
Ltd	Limited
MDAs	Ministries, Departments and Agencies
MFPED	Ministry of Finance, Planning and Economic Development
MEMD	Ministry of Energy and Mineral Development
MoES	Ministry of Education and Sports
NIRA	National Identity and Registration Authority
NITA-U	National Information Technology Authority Uganda
NTR	Non-Tax Revenue
NWSC	National Water and Sewerage Corporation
OECD	Organization for Economic Co-operation and Development
PAU	Petroleum Authority of Uganda
PAYE	Pay as You Earn
PFMA	Public Finance Management Act
PIT	Personal Income Tax
PRN	Payment Registration Number
PS/ST	Permanent Secretary/ Secretary to the Treasury
PODITRA	Post Graduate Diploma in Tax Administration
PRN	Payment Registration Number
STI	Science, Technology and Innovations
TAT	Tax Appeals Tribunal
TIN	Tax Identification Number
TPD	Tax Policy Department
TREP	Tax Registration and Expansion Project
UBOS	Uganda Bureau of Statistics
UNBS	Uganda National Bureau of Standards
UNHCE	Uganda National Council for Higher Education
URA	Uganda Revenue Authority
VAT	Value Added Tax

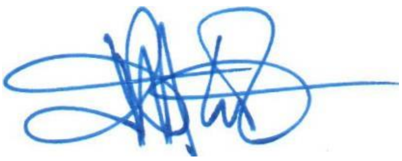
FOREWORD

The Government of Uganda is committed to enhancing efficiency and effectiveness in the mobilization of its domestic revenue with a view to reducing indebtedness. This will be attained through the implementation of various reforms agreed upon in its Public Finance Management Strategy (2019-2024) and the Domestic Revenue Mobilization Strategy (DRMS) adopted in 2020. The DRMS interventions are broadly geared to: 1) Raise additional revenues to support the governments' budgetary position; 2) Encourage a healthy flow of investment; and 3) Address issues of fairness and transparency in the tax system

Raising the tax revenue to GDP ratio is a must, given the increasing demands on public financing. As per the annual programme budget monitoring assessments, inadequate funding continues to be a critical binding constraint. The government will continue to ensure adequate funding for programmes, but from domestic revenue. To that effect, effective implementation of the DRMS is non-negotiable.

To assess the DRMS performance, a Monitoring strategy with 112 indicators was formulated. It was anticipated that 80% of the indicators would be assessed annually. The Budget Monitoring and Accountability Unit has been tracking the DRMS performance, semi-annually, since financial year (FY) 2020/21. This is the semi-annual monitoring report for FY2023/24.

The report posted a fair level of performance, indicating significant room for improvement. I urge all stakeholders to critically review the report and act to ensure enhanced revenue mobilization. The challenges noted are not insurmountable to deter the achievement of the DRMS goals.



Ramathan Ggoobi

Permanent Secretary/Secretary to the Treasury

EXECUTIVE SUMMARY

Introduction

This report reviews performance of interventions under the Domestic Revenue Mobilisation Strategy (DRMS), for the first half of the financial year (FY) 2023/24. It is based on Tax Policy and Tax Administration indicators, to determine the progress achieved.

Methodology

The FY2023/24 semi-annual DRMS Monitoring Report is based on selected interventions under Tax Policy and Tax Administration. The DRMS comprises a total of 80 interventions, of which 60 were directly assessable at half year. Of these, 30 (50%) were assessed (14 Tax Policy and 16 Tax Administration).

Specifically, for Tax Policy, of the 22 interventions assessable at half year, 14 (63%) were appraised under the broader DRMS objectives as follows: Process reform and institutional changes, Strengthening the productivity of Value Added Tax (VAT), Corporate Income Tax (CIT), Personal Income Tax (PIT), and Improve the Excise Duty Regime. Additionally, for Tax Administration, of the 38 interventions assessable at half year, 16 (42%) were assessed under the broader DRMS objectives of: Governance and management of URA; lifting the human resource capacity at URA; data management and analytics; information, communication, and technology infrastructure; taxpayer registration; timely payment of taxes; tax audit; investigations and enforcement; dispute resolution; processing of tax refunds and customs and trade facilitation.

The semi-annual assessment covered interventions under Uganda Revenue Authority (URA), Tax Policy Department and Tax Appeals Tribunal (TAT) of the Ministry of Finance, Planning and Economic Development (MFPED). Other Ministries, Departments and Agencies (MDAs) that provided data in respect of interventions and indicators included: Uganda Bureau of Statistics (UBOS), and the National Information and Technology Authority-Uganda (NITAU).

Primary and secondary data was collected through literature review, consultations, and key informant interviews, and focus group discussions. Physical performance of the interventions was assessed through monitoring a range of indicators and linking the progress to planned targets, previous financial years semi-annual performance or the baseline and policy measures initiated in the FY. Data was collected by two monitoring teams comprised of BMAU staff.

Findings

Overall, performance based on the DRMS interventions assessed was rated fair (59%). Of the 30 appraised interventions; 3 were rated good, 17 were fair, and 10 poor. Although tax policy contributed most to the interventions rated good, it also contributed the most to the poorly performing interventions thus lowering overall performance.

i) Tax Policy Interventions

Tax policy interventions performed fairly at 50% of the 14 interventions assessed. Two were rated good, five were rated fair, and seven rated poor. The detailed performance of the interventions is discussed as follows:

Good Performance

1. **No. of tax related analytical papers jointly published by TPD and URA staff:** In the first half of FY 2023/24, two papers had been jointly published by URA and TPD compared to the same period in 2020/21 and 2021/22 where no papers were jointly published.

2. **Zero-rated supplies as a percentage of total supplies:** The proportion of zero-rated supplies as a percentage of total supplies decreased to 10.88% by the end of December FY 2023/24 from 12.29% registered in the same period in FY 2022/23. The ratio decreased by 5.3 percentage points compared to the same period in FY 2019/20 (baseline).

Fair Performance

1. **No. of tax related analytical papers published per year**: Four tax-related papers were published by the end of the first half of FY2023/24 compared to none attained in the same period FY 2022/23.

2. **Value (and proportion) of Zero-rated supplies by type of supply:** The proportion of export goods to total zero-rated supplies decreased by 1% in the first half of FY 2023/24 from 96% in FY2022/23. International transportation of goods and passengers increased by 0.5% by 31st December 2023 from 0.12% performance in the same period in FY 2022/23. Zero rating minimises the costs of exports and international transportation, thus making them affordable.

3. **Value (and proportion) of exempt supplies by type of supply:** The highest value and proportions for exemption supplies were registered under petroleum fuels subject to excise duty (70%), financial and insurance services (22.81%). This was mainly to support and minimize costs of petroleum products. A remarkable increase in value for financial and insurance services of 158% (to Ug shs 3,166bn) was registered in the first half FY 2023/24 indicating areas of scope for policy review. There was a balance between policy objectives to support provision of affordable services and revenue realization.

4. **Proportion of technical staff handling domestic taxes that are graduates of PODTRA**: At the end of quarter two FY 2023/24 a total of 1,079 (33.7%) staff had been trained across the different departments at organizational level in. Of the 1,079 trained, 684 were in the Domestic Tax Department. The indicator performance was rated fair as the proportion of staff that achieved requisite training was less than 50% at semi-annual.

5. **CIT Effective Tax Rate**: The CIT ETR at semi-annual continued to increase compared to the base year (2021/22), this means that substantial tax losses have been minimized in the three FYs increasing the CIT yield. Although the CIT ETR increase (FY 2021/22-2023/24) is minimal (0.24%), it indicates a positive change which aligns with the indicator objective.

Poor Performance

1. **No. of tax related analytical papers published by TPD/URA staff per year:** Six tax analytical papers were published by URA/TDP. Similarly, in the same period in FY 2020/21, eight had been published by both TPD and URA indicating a decline.

2. **Zero-rated supplies (non-export items) as a percentage of total zero-rated supplies.** For the first half FY 2023/24, the ratio of zero-rated supplies (non-export items) as a percentage of total zero-rated supplies registered an increase to 37.40% from 31.34% registered in the same period FY 2022/23. The trend shows the proportion of zero-rated supplies (non-export items) increased to Ug shs 3,508.64bn in the first half FY 2023/24 from Ug shs 2,313.09bn for the same period FY 2022/23.

3. **Exempt supplies as % of total supplies:** The value of exempt supplies as a proportion of total supplies increased to 19.91% for the half year period FY 2023/24 from 16.59% in the same period FY 2022/23. The performance increased by 3.17 percentage points compared to the baseline indicating an increase in exempt supplies therefore the taxable base reduced on account of expanded proportion of exempt supplies to the value of total supplies.

4. **Value of Deemed Supplies as % of Total Supplies to Government:** The value of VAT foregone was Ug shs 325.19bn. This was a 57.6% reduction for the same period for FY 2022/23. Although the value of VAT foregone on deemed supplies reduced, this performance was based on the outturn of supplies made in the period and not as a revision to have all items Vat-able, and not limited to special circumstances.

5. **PIT Effective Tax Rate**: The average percentage that individual taxpayers pay increased over the years. The PIT Effective Tax Rate increased by 6.3 percentage points in the first half of FY2023/24 compared to the same period in FY 2022/23 and by 5.34 percentage points in FY 2021/22 the same period. Although the total individual income tax revenue increased, the total taxable income relating to Pay as You Earn (PAYE) and presumptive tax decreased by Ug shs 1,807.34bn. This is an indication that the use of tax reliefs and exemptions by certain groups continues lead to some citizens not paying taxes.
6. **Revenue from environment-related taxes as percentage of public expenditure on environment control:** The environmental tax as a percentage of expenditure on environmental control in the first half of FY 2023/24 was 12.77%. This was an increase from 10.2% attained in the same period FY 2022/23 and 8.09% in FY 2020/21. Although revenue environmental levies continue to grow, it is still too low compared to the expenditure on environmental control, as based on the water and environment budget. This indicates a need for more effort towards taxes on pollutants. The revenue from environment-related taxes did not cover the environmental control expenditure.
7. **Allowable deductions as a percentage of gross income in a year:** Deductions had a Ug shs 2,506bn increase in FY 2023/24 compared to FY 2021/22, while the gross income declared registered a Ug shs 16,411.09bn increase. The allowable deductions as a percentage of gross income increased by approximately 1%, from 16.04% to 17.03% which indicates that the taxable income decreased as compared to the previous FY2022/23.

(ii) Tax Administration Interventions

Tax Administration comprised of 47 interventions, of which only 38 interventions are currently assessable. Of these, information was availed in full for only 16 interventions (42%). These interventions performed fairly, with one registering good performance, 12 fair and 3 poor. The detailed performance of the interventions is discussed as follows:

Good Performance

1. **Intensify penalties for non-compliance and increase the number of tax investigations:** The number of tax investigation cases increased by 99% and the value by over 100%, indicating an improvement in investigation efforts. The largest growth was in prosecution cases (131%), followed by tax crime investigations (128%). Scientific investigation cases reduced by 38%, although the revenue identified did not significantly reduce.

Fair Performance

1. **Create a formal data skills development plan:** This has not been developed though URA has an annual training planner to address the critical needs per department as guided by a capacity development needs assessment. Regarding indicator performance, 3.17% of the staff (in the selected functional areas) had been trained in data analytics, which is only 6.7 percentage points fewer than what was achieved at the end of FY 2022/23. This is alongside a 9% increase in staff and implies fair performance if this trend continues.

2. **Review the URA structure and consider re-organization to promote integration:** The structural review and functional alignment for the authority was ongoing. By 31st December 2023, the structural gap analysis report had been prepared, job descriptions for all newly proposed roles across the various departments were also developed and shared, and a job analysis and evaluation committee was nominated, appointed and trained to support the ongoing job analysis and evaluation exercise.

3. **Expand the range of measures for assessing URA's performance to reduce reliance on collection targets:** The DRMS required equal emphasis placed on quantitative, qualitative, and taxpayer satisfaction indicators when assessing the effectiveness of the administration. URA is performing well regarding quantitative measures such as uncollected tax to target, and total filing ratios for the selected tax heads. However, indirect domestic taxes and international taxes both registered a shortfall due to a decrease in the tax yield of key imported excisable goods. Additionally, filing rates were affected by the adjustments that came with the pioneering of the new online web portal at the start of quarter two of FY 2023/24.

4. **Conduct an independent staffing review:** This was not conducted, although URA completed its comprehensive workload analysis, covering the ranks of Manager, Supervisor and Officer. The report was submitted to management as critical input to guide the organizational Structural Review and Functional Alignment. With regards to the indicator performance, the ratio of taxpayers to URA staff decreased due to an increment in the number of URA staff alongside an almost proportionate increment in the number of taxpayers. The average revenue per member of staff increased slightly.

5. **Implement a comprehensive training strategy and develop a URA tax training academy:** The training strategy was not in place and there is no funding for the Tax Academy. However, URA developed a training needs assessment tool to guide the identification of the departmental critical and competency-based needs. The Authority also continued to prepare for the Tax Academy by developing job descriptions for the structure, which were shared with the structural review team. With regards to the indicator - the percentage of Domestic Tax (DT) operational staff that completed PODITRA/ITRAT decreased by 1.3 percentage points from the previous half year.

6. **Prioritize a data quality improvement strategy and develop processes to maintain data quality:** The strategy is not in place, however 87% of data records were completed (of the half year target). This implies that data quality is improving. However, without knowing the overall percentage of data records completed, it is impossible to assess if all data fields in URA's tax databases are populated with relevant and complete data.

7. **Standardize key government systems to improve integration:** A data sharing and integration platform was developed by NITA-U. By 31st December 2023, this platform had been rolled out to nine public and private entities which were integrated onto the platform, bringing the cumulative number of entities on-boarded to 126. The cumulative total increased by 23% from the previous half year FY 2022/23, whilst transactions increased by over 100% over the same period.

8. **Promote political messaging supportive of a "civic duty to register":** By 31st December 2023, a total of 564,138 new taxpayers had been added to the tax-payer register, of which 258,896 (46%) were voluntary and 305,242 (54%) forced. Previous data on voluntary registrations for half year was not availed but the greater percentage of forced registrations implies that the intervention is not working as expected, although the margin is low.

9. **Address infrastructure constraints by offering points for connection across the country:** The procurement process to acquire office space for 13 Domestic Tax Offices across the country was underway. By 31st December 2023, were completed (65%), four were in the finishing stages, and the remaining four were still at procurement level.

10. **Investigate options for enhancing the use of electronic payment methods, including mobile money:** Over the counter payments continue to be the most popular at 42.20%, followed by Demand Draft at 18.6% and Electronic Funds Transfer at 15.68%. Mobile money services continue to constitute a small percentage of the total payments' methods (0.55%), although in absolute terms, payments have increased from Ug shs 28.51bn in FY 2021/22 to Ug shs 74.11bn (160%) in FY 2022/23.

11. **Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk targeting, and increasing the number of "mass audits":** By 31st December 2023, 98% of the total planned domestic audits, across the different initiatives had been completed. This is an improvement from the previous FY, where 49% were completed in the same period. However, the total number of planned audit initiatives reduced by 72.4%, thus the performance was because of a lower target.

12. **Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declarations:** The plan is yet to be developed. However, the number of approved tax refund claims (of the claims received in FY2022/23) decreased by 23.6% and the value by 14.6% from half year FY 2022/23. Comparatively, the proportion of refund claims processed on time (within 30 days) only increased by 1.38 percentage points, a decline from the previous half year period, where it had increased by 5.36 percentage points.

Poor Performance

1. **Review the URA performance management and reward system**: The Performance Management Approach, Process, Systems and Tools were revamped to enhance alignment. Regarding the indicator, the staff attrition rate increased by 0.56 percentage points, from

1.65% at half year FY 2022/23, to 2.21% at half year 2023/24. This was due to a 27% increase in staff leaving alongside a 4% decline in staff.

2. **Publicize the results of enforcement initiatives**: The URA issued eight media reports, across numerous media outlets, which was a decline of 53% from the previous half year.

3. **Facilitate Tax Appeals Tribunal (TAT) to expeditiously deal with cases by increasing staff training and numbers:** This has not been done. TAT is still understaffed, and training levels have remained stagnant. In terms of the indicator performance, the number of new tax disputes lodged to TAT increased to 154 (25.2%) from the half year 2022/23. Conversely, proportion of tax disputes resolved within 6 months of lodging the case reduced by 86.7% and the proportion of cases escalated to the high court grew from 12 to 18.

Conclusion

Despite expectations that the DRMS would have resulted in a 16%-18% tax to gross domestic product (GDP) ratio within five years of implementation (by FY 2023/24), there remains significant work to be done. In the first half of FY 2023/24 Ug shs 13,455bn was collected in revenues representing 7% of GDP. On the policy side, the growth in VAT was not matched with that of the GDP as would be expected, implying the potential yield is not achieved. In addition, the policy on deeming to allow the VAT system to function normally was not reviewed, revenue leakages persist as result of not limiting deeming to special circumstances. On the other hand, under Personal Income Tax, some policies have continued to encourage exemptions of significant streams of income of certain citizens. Exemptions on incomes of certain citizens continue to negatively impact the revenues from personal income taxes and undermine the DRMS objective of equity and fairness.

Conversely under Tax Administration, for the first half of the FY 2023/24, the uncollected tax to target increased by 4.9 percentage points and in absolute terms there was an increase in revenue collection of Ug shs 1,531bn. This performance was attributed to arrears management initiatives and non-intrusive scans and inspections.

Nonetheless, it was noted that key DRMS interventions that would enhance revenue performance were not implemented as desired. Several strategic documentations, plans and systems remain at various levels of partial completion. For example, the plan to manage offsets and refunds, data quality improvement strategy and the structural review and functional realignment, among others. As a result, several indicators did not perform as expected. The staff attrition rate increased by 0.56 percentage points, of which the Domestic Taxes Department continues to have the highest number of staff leaving (31). This is a concern as it is not only critical to revenue mobilization, but also benefits from the largest share of the training budget. It is crucial that talent is both attracted and maintained for optimal performance. In addition, although the taxpayer register grew by 16%, the growth rate has declined slightly by 1.1 percentage points.

CHAPTER 1: INTRODUCTION

1.1 Background

The mission of the Ministry of Finance, Planning and Economic Development (MFPED) is, "*To formulate sound economic policies, maximize revenue mobilisation, and ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development.*" To maximise revenue mobilisation, the Domestic Revenue Mobilisation Strategy (DRMS) 2019/20-2023/24 was developed in Financial Year (FY) 2019/20. The strategy was informed by the overarching need to have a stronger and more certain revenue flow for the government to meet its expenditure needs and encourage foreign investment. The strategy's core objective is to improve revenue collection and raise Uganda's tax to Gross Domestic Product (GDP) ratio from 12.5% to 16%-18% within the five financial years.

The revenue strategy over the third National Development Plan (NDP III) period envisages improving compliance and efficiency in tax revenue collections through the implementation of the DRMS. Emphasis is on strengthening administrative efforts to narrow the gap between current and potential revenue performance. On the tax policy side-it is essential that tax reforms are carefully assessed, quantitatively analyzed, and discussed candidly. An increase in revenue would reduce the country's deficit and consequently her reliance on debt, thus keeping debt at sustainable levels.

The DRMS interventions are broadly geared to:

1. Raise additional revenues to support the government's budgetary position.
2. Encourage a healthy flow of investment.
3. Address issues of fairness and transparency in the tax system.

Implementation of the DRMS interventions and performance has since FY2020/21, been tracked by the Budget Monitoring and Accountability Unit (BMAU), semi-annually. This is done using Tax Policy and Tax Administration performance indicators and is aimed at supporting the Government of Uganda's efforts to improve its domestic revenue mobilisation efforts. The semi-annual assessment for FY2023/24 includes a detailed description of the performance of the DRMS interventions. The DRMS status of implementation matrix is included in annexes 4 and 5.

CHAPTER 2: METHODOLOGY

2.1 Scope

The semi-annual DRMS Monitoring Report FY 2023/24 is based on selected interventions under Tax Policy and Tax Administration. The DRMS comprises a total of 80 interventions, of which 60 (22 Tax Policy and 38 Tax Administration) were directly assessable at half year. Out of these, 30 (50%) were assessed.

Specifically, for Tax Policy, of the 22 interventions assessable at half year, 14 (63%) were appraised under the broader DRMS objectives as follows:

1. Process reform and institutional changes
2. Strengthening the productivity of Value Added Tax (VAT)
3. Improve the Excise Duty Regime
4. Personal Income Tax
5. Corporate Income Tax

Under Tax Administration, of the 38 interventions, 16 (42% coverage) for which full information was availed, were appraised under the broader objectives as follows:

1. Governance and management of URA
2. Lifting the human resource capacity at URA
3. Data management and analytics
4. Information, communication, and technology infrastructure
5. Taxpayer registration
6. Taxpayer education, service, and communication
7. Timely and accurate filing
8. Timely payment of taxes
9. Tax audit.
10. Investigations & enforcement
11. Dispute resolution
12. Processing of tax refunds

The semi-annual assessment covered interventions under Uganda Revenue Authority (URA), Tax Policy Department and Tax Appeals Tribunal (TAT) of the Ministry of Finance, Planning and Economic Development (MFPED). Other Ministries, Departments and Agencies (MDAs) that provided data in respect of interventions and indicators included Uganda Bureau of Statistics (UBOS), and National Information and Technology Authority-Uganda (NITA-U).

2.2 Approach and Sampling Methods

Performance of interventions, actions and outcomes was assessed through monitoring a range of indicators and linking the progress to planned targets, previous FYs semi-annual performance, baseline data and policy measures undertaken. The selection of interventions assessed was based entirely on the availability of sufficient data for the period under review.

2.3 Data collection and Analysis

Data collection

Both primary and secondary data was collected. Secondary data was collected through a literature review (references that are annexed). Primary data was collected through informant interviews, focus group discussions and observations. Consultations and key informant interviews were held with staff of the MFPED Tax Policy Department and TAT; URA, UBOS, and NITAU Data was collected by two monitoring teams comprised of BMAU staff.

Data analysis

Qualitative and quantitative approaches were used to analyze the data. Qualitative data was examined and classified in terms of constructs, themes or patterns to explain events among the implementers of tax administration and policy measures. In addition, reflective analysis was done where the monitoring teams provided an objective interpretation of the field events.

Quantitative data was analysed using advanced excel tools to aid interpretation. Comparative analysis was done using percentages and values of indicators. Additionally, the previous FY's semi-annual performance, baseline and planned targets were compared with observed performance.

The overall DRMS performance was based on policy measures enacted towards the interventions, and individual indicators against the target set or trend achieved. An average of the individual rating of indicators and policy measures was taken to determine the rating of achievement of tax policy and tax administration interventions (Table 2.1).

Table 2.1 Assessment Guide to Measure Performance of DRMS Semi-Annual FY 2023/24

Score	Comment	Performance Rating
90% and above	Very Good (Achieved at least 90% of indicator or target)	
70%-89%	Good (Achieved at least 70% of indicator or target)	
50%- 69%	Fair (Achieved at least 50% of indicator or target)	
49% and below	Poor (Achieved below 50% of indicator or target)	

Source: BMAU

Ethical considerations

Entry meetings were undertaken with the Acting Commissioner Tax Policy (MFPED), Top Management of URA, and Accounting Officers of MDAs upon commencement of the monitoring exercises. Consent was sought for all information obtained during the monitoring exercise.

2.4 Limitations of the Report

The key problem was lack of data for some high-priority interventions and indicators for both Tax Policy and Tax Administration. As such performance of key interventions was left out. In addition, some high-level indicators were never assigned to a responsible entity and therefore are still entirely outstanding in the final year of implementation of the DRMS (Annexes 4 and 5).

2.5 Structure of the Report

The report has four chapters. These are: Introduction, Methodology, Performance, Conclusion and Recommendations.

CHAPTER 3: PERFORMANCE OF THE DRMS INTERVENTIONS

3.1: STATUS AND PROGRESS MADE IN IMPLEMENTATION OF DRMS

Overall performance based on the DRMS interventions assessed was rated fair (59%). Of the 30 appraised interventions: three were rated good, 17 were fair, and 10 poor. Although Tax Policy contributed most to the interventions rated good, it also contributed the most to the poorly performing interventions thus lowering overall performance.

3.2 PERFORMANCE OF TAX POLICY INTERVENTIONS

Every stage of tax policymaking has an impact on the next, from the development of the initial idea, through policy analysis and consultation, the drafting of legislation, interrogation and approval by the legislature, and the subsequent review of the successes or failures of policy enactment. A breakdown at any stage weakens the tax policy instrument, risks policy error, and limits the opportunities for policies to be improved through proper analysis and consultation. Mapping Uganda's tax policy process is an opportunity to improve both policymaking and the strength of the tax system.

A total of 12 tax objectives, with 33 interventions and 64 indicators were proposed to be used in tracking the implementation of part of the DRMS to reform Uganda's Tax Policy. The objectives include: P1) Process reform and Institutional changes Tax policy; P2) Strengthening the productivity of Value Added Tax (VAT); P3) Corporate Income Tax (CIT); P4) Personal Income Tax; P5) Tax Incentives and Exemptions; P6) Improve the Excise Duty Regime; P7) Developed a Strong Extractives Industry Taxation Regime; P8) Promotion of International Trade; P9) Improve the effectiveness of Non-Tax Revenue; P10) Harmonisation of Local and Central Government Taxation; P11) Taxation of Donor Funded Projects; and P12) Taxation of the Digital Economy.

PROCESS REFORM AND INSTITUTIONAL CHANGES

The process reform and institutional changes objective was measured under two interventions during the period as follows: i) Enhance analytical capacity of TPD and URA, and ii) Strengthen partnership with URA and formalise arrangements.

3.2.1 Enhance the analytical capacity of TPD & URA

Enhancing skills to undertake revenue forecasting, economic and social impact modelling (including the impact of policy changes on business, households, gender, and distributional analysis), quantification of the tax gap, drafting of tax legislation, and tax expenditure costing. Developing this capacity will require adequate staffing with considerable prior exposure to tax issues, and resources to facilitate and empower officers to undertake research. Tax is a dynamic field requiring regular upskilling to remain abreast of issues and exposure to international best practice. This intervention is measured through two indicators and performance was as follows:

1. **No. of tax-related analytical papers published per year**: The indicator aims to track the publication of tax-related analytical papers or reports within the country. Four[1] tax related papers were published by the end of the first half of FY2023/24 compared to none achieved for the same period FY 2022/23. The performance was thus rated **fair.**

[1] Research paper - "Assessing the performance and challenges of Electronic Fiscal Receipting and Invoicing System, August 2023,2. Excise Duty Comparative Study across EAC Revenue Authorities, September 2023, 3.PAYE Technical Note, October 2023. (Joint study with UNUWIDER), 4.Customs Technical Note, December 2023. (Joint study with UNUWIDER)

2. **No. of tax-related analytical papers published by TPD/URA staff per year:** The indicator aims to track the publication of tax-related analytical papers or reports authored or co-authored by staff of TPD and/or URA. By the end of quarter two FY2023/24, six[2] tax analytical papers were published by URA/TDP. Similarly, in the same period in FY 2020/21, eight had been published by both TPD and URA indicating a decline (Table 3.1). Therefore, the intervention performed poorly as a decline was identified.

Table 3.1: No. of tax-related analytical papers published by TPD/URA staff per year

	Semi-Annual FY 2020/21	Semi-Annual 2021/22	Semi-Annual FY 2023/2024
No. of tax related analytical papers published in a year relating to taxation in Uganda authored or co-authored by TPD or URA staff	8	6	6

Source: URA Database

3.2.2 Strengthen partnership with URA and formalise arrangements

This intervention is measured through the indicator:

1. **No. of tax-related analytical papers jointly published by TPD and URA staff:** It is assumed that if TPD and URA staff jointly publish papers on tax-related issues, synergy will be created in addition to an increased convergence of minds. This would eventually lead to better revenue mobilisation strategies. In the first half of FY 2023/24, 2 papers were jointly published by URA and TPD compared to the same period in 2020/21 and 2021/22 where no papers were jointly published. Therefore, the performance was **good.**

Conclusion

Enhancing the analytical capacity of TPD & URA plus strengthening partnership with URA led to fair performance.

STRENGTHENING THE PRODUCTIVITY OF VALUE- ADDED TAX (VAT)

Value Added Tax (VAT) is normally a buoyant source of revenue, with growth expected to at least match that of GDP. Improvements in the performance of VAT would focus on compliance and policy gaps. The compliance gap gives the impact on potential yield for a given policy structure from non-compliance, while the policy gap refers to the impact on the potential yield due to exemptions and zero-rating. The performance of the interventions under VAT for semi-annual FY 2023/2 was as follows:

3.2.3 Limit the range of zero-rated- supplies as far as possible

The intervention requires that certain items on the list of zero-rated supplies should be removed. Additionally, the definition of zero-rated drugs and medicines should be tightened to limit abuse. Many zero-rated supplies support government social and welfare objectives however, expansions to this should be limited-as zero-rating supplies lead to revenue leakages, increases the administrative burden, and negatively impacts transparency.

[2] 1.Research paper – "Assessing the performance and challenges of Electronic Fiscal Receipting and Invoicing System", August 2023, 2. Excise Duty Comparative Study across EAC Revenue Authorities, September 2023, 3. PAYE Technical Note, October 2023. (Joint study with UNUWIDER), 4. Customs Technical Note, December 2023. (Joint study with UNUWIDER), 5. Research Paper – "The Implications of the World Bank Pullout", September 2023, 6. Comparative Employee Motivation and Engagement Study, November 2023.

The intervention was in assessed through three indicators:

i) Zero-rated supplies as a percentage of total supplies

The intervention aims to reduce the zero-rated supplies. Where the proportion of zero-rated supplies in comparison to total supplies remarkably reduces (relative to the baseline), then the taxable VAT base is expanding, which is the goal of the policy intervention. Where the tax ratio keeps increasing it would mean the VAT base is narrowing on account of zero-rated supplies.

The proportion of zero-rated supplies as a percentage of total supplies decreased to 10.88% by the end of December FY 2023/24 from 12.29% registered in the same period in the FY 2022/23. The ratio decreased by 5.3 percentage points when compared to the same period in the FY 2019/20 (baseline). Thus, the proportion of zero-rated supplies as a percentage of the total supplies reduced, indicating good performance (Table 3.2).

Table 3.2: Zero-rated supplies as % of total supplies for the first half FYs 2021/22 to 2023/24

	Baseline FY 2019/20	Half Year FY 2020/21	Half Year FY 2021/22	Half Year FY 2022/23	Half Year FY 2023/24
Value of Zero-rated Supplies (Ug shs bn)	10,747.85	12,016.38	11,809.40	7,380.67	9,382.06
Total Value of declared Supplies (Ug shs bn)	61,001.28	64,681.10	48,483.66	60,067.77	86,259.99
Zero-rated supplies as % of total Supplies (%)	16.30	18.58	24.36	12.29	10.88

Source: URA E-HUB

ii) Zero-rated supplies (non-export items) as a percentage of total zero-rated supplies

The indicator aims to monitor the implementation of the policy intervention whose goal is to increase the taxable VAT base by reducing zero-rated supplies for non-export items. The intervention seeks to register a reduction in the list of zero-rated items that are not for export.

For the first half FY 2023/24, the ratio of zero-rated supplies (non-export items) as a percentage of total zero-rated supplies registered an increase to 37.40% from 31.34% registered in the same period FY 2022/23. The decrease in proportion registered in same period for the FYs 2020/21 and 2021/22 was mainly on account of the COVID pandemic which relatively increased the total values for zero-rated supplies **(Table 3.3)**.

In addition, the intervention requires a policy that restricts non-export zero-rated supplies to a minimum as far as possible. The trend shows the proportion of zero-rated supplies (non-export items) increased to Ug shs 3,508.64bn in the first half FY 2023/24 from Ug shs 2,313.09bn for the same period FY 2022/23, the target was not achieved and thus performance was rated **poor**.

Table 3.3: Zero-rated supplies as % of total supplies for the Half Year FYs 2019/20 to 2023/24

	Baseline FY 2019/20 (Half Year)	Half FY 2020/21	Half FY 2021/22	Half FY 2022/23	Half FY 2023/24
Value of zero-rated supplies (non-export items) (Ug shs bn)	3,102.21	2,941.56	2,691.91	2,313.09	3,508.64
Total value of declared supplies (Ug shs bn)	10,747.85	12,016.38	11,809.40	7,380.67	9,382.06

	Baseline FY 2019/20 (Half Year)	Half FY 2020/21	Half FY 2021/22	Half FY 2022/23	Half FY 2023/24
Zero-rated supplies (non-export items) as % of total Supplies (%)	28.86	24.48	22.79	31.34	37.40

Source: URA E-HUB

III) Value (and proportion) of Zero-rated supplies by type of supply

The indicator tracks the trend in the value of the zero-rated supplies by type of supply. Items removed from the list will not be expected to return zero values. Where the values continue to be seen would signify a weakness. The indicator values and proportions are also used to examine whether the non-export zero-rated supplies are the kind of supplies that support the poor and if not, this points to areas where revisions in the VAT law could be considered regarding zero-rated supplies.

The proportion of export goods to total zero-rated supplies decreased by 1% in the first half of FY 2023/24 from 96% in 2022/23. International transportation of goods and passengers increased by 0.5% by December 2023 from 0.12% performance in the same period in FY 2022/23. Zero rating minimises the costs of exports and international transportation, thus making them affordable.

In the first half of FY 2023/24 the proportion of supplies of educational materials-imported for use in schools, colleges, and institutions increased to 2.54% (Ug 157.13bn) from 1.95% (Ug shs 103.54bn) compared to the same period FY 2022/23.

The proportion of supplies of agricultural items - i.e., seeds, fertilizers, pesticides, and hoes decreased to 1.15% (Ug shs 71.4bn) in first half of FY 2023/24 from 1.33% (Ug shs 70.72bn) in the same period FY 2022/23. Although there was a slight increase in value. Supplies of cereals grown and milled in Uganda increased in proportion to 0.37% (Ug shs 23.11bn) from 0.13% (Ug shs 6.99bn) for the same period FY2022/23. The proportions for the same period were 0.19% and 0.22 % in FY 2021/22 and FY 2020/21 respectively **(Table 3.4)**. However, the proportion of sanitary towel supplies decreased to 0.5% (Ug shs 31.12bn) from 0.87% (Ug shs 45.88bn) in the same period FY 2022/23 and was 0.50% (Ug shs 48.78bn) in FY 2021/22.

The supplies that support the poor continue to register mixed performance, for example a reduction in proportion in one period registers a higher performance in value, except for sanitary towels where proportion and value declined over the same period for the FYs (2023/24-2021/22).

Handling services with respect to medical supplies funded by donors decreased to 0.00% as the National Medical Stores did not declare any supplies during the period in FY 2023/24 and previous period (half FY 2022/23). There was no information/ declaration for the supply of leased aircraft, parts, and maintenance equipment and repair services, which indicates non-compliance. There was no policy change targeting zero-rated supplies that were not compliant and or were no longer effective in addressing welfare objectives.

The proportion of the zero-rated supplies shows an upward trend across by both value, and or proportion with the exception of sanitary towels. This is in respect of supplies that address welfare objectives. The performance was rated **fair**.

Table 3.4: Value and proportion of zero-rated supplies by type of supply

Type of zero-rated supplies	Half Year 2019/20	Half Year 2020/21	First Half of 2021/22	Half Year 2022/23	Half Year 2023/24
1. Export goods	7,645.64 (97.66%)	9,074.81 (88.44%)	9,117.49 (93.85%)	5,067.58 (95.59%)	5,873.42 (94.82%)
2. International Transportation of goods and passengers	4.74 (.06%)	7.03 (.07%)	8.21 (.08%)	6.61 (.12%)	38 (.61%)
3. Domestic supply of:	**178.57 (2.28%)**	**1,178.83 (11.49%)**	**589.68 (6.07%)**	**227.15 (4.28%)**	**282.76 (4.57%)**
a) Educational materials used in schools, colleges, universities, and institutions engaged in adult education, vocational or technical education, or training for handicapped person	68.02 (.87%)	57.36 (.56%)	75.78 (.78%)	103.54 (1.95%)	157.13 (2.54%)
b) Seeds, fertilizers, pesticides, and hoes	44.85 (.57%)	58.91 (.57%)	43.37 (.45%)	70.72 (1.33%)	71.4 (1.15%)
c) Cereals where these are grown, milled, or produced in Uganda	20.87 (.27%)	22.06 (.22%)	18.55 (.19%)	6.99 (.13%)	23.11 (.37%)
d)Sanitary towels and tampons and the inputs for their manufacture	44.81 (.57%)	50.92 (.50%)	48.78 (.50%)	45.88 (.87%)	31.12 (.50%)
e) Supply of leased aircraft, parts, and maintenance equipment	0 (.00%)	0 (.00%)	0 (.00%)	0 (.00%)	0 (.00%)
f) Handling services with respect to medical supplies funded by donors	0 (.00%)	989.56 (9.64%)	403.19 (4.15%)	0 (.00%)	0 (.00%)
TOTAL	**7,828.96 (100%)**	**10,260.68 (100%)**	**9,715.38 (100%)**	**5,301.34 (100%)**	**6,194.19 (100%)**

Source: URA E-HUB

3.2.4 Remove unnecessary VAT exemptions to curb unjustifiable revenue leakages

The intervention requires a review of items under the second schedule of the VAT Act to remove exemptions that result in unfair competition or do not effectively benefit the targeted parties or bring about equity through the consumption of those items. There is a need to review definitions of certain items to be tightened to remove the scope of abuse. The intervention was assessed through two indicators as follows:

1) Exempt supplies as % of total supplies

The intervention aims to reduce exempt supplies. Where the proportion of exempt supplies to total supplies remarkably reduces (relative to the baseline), then the taxable VAT base is expanding, which is the goal of the policy intervention.

The value of exempt supplies as a proportion of total supplies increased to 19.91% for the half year period FY 2023/24 from 16.59% in the same period FY 2022/23. The performance increased by 3.17 percentage points compared to the baseline indicating an increase in exempt supplies (**Table 3.5**). The taxable base reduced on account of expanded proportion of exempt supplies to the value of total supplies thus the performance was rated poor.

Table 3.5: VAT exempt supplies as a % of total supplies

	Baseline Half Year FY2019/20	Half Year FY2020/21	Half Year FY2021/22	Half Year FY2022/23	Half Year FY 2023/24
Value of VAT-exempt supplies (Ug shs bn)	10,632.19	10,059	10,625	7,366.09	17,173.67
Total Value of declared supplies[3] (Ug shs bn)	61,001.28	64,681.10	92,882.39	44,396.56	86,259.99
VAT exempt supplies as a % of total supplies (%)	**16.74**	**15.55**	**11.44**	**16.59**	**19.91**

Source: URA E-HUB

Value (and proportion) of exempt supplies by type of supply

The indicator tracks trends in the value of exempt supplies by type of supply. Items removed from the list will not be expected to return zero values. Where the values continue to be seen would signify a weakness. The indicator values and proportions are also used to examine whether the exempt supplies benefit the poor and if not, this points to areas where revisions in the VAT law could be considered.

The items that had no values for the half year FY 2023/24 period included: i) supply of unimproved land, ii) sale, leasing and letting of immovable property, iii) supply of goods as part of a transfer of business as a going concern, iv) burial and cremation services, v) menstrual cups, vi) agricultural insurance premiums or policies, vii) any goods and services to the contractors and subcontractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects, viii) supply of movie productions, ix) photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers. The items, except for photo sensitive conductors, registered no values from the previous FYs, which was attributed to non-compliance and lack of information due to the return design where these items could not be distinguished from other supplies.

Supply of: i) education services; ii) unprocessed food stuffs, agricultural products and livestock; iii) social welfare services; iv) betting, lotteries, and games of chance, v) petroleum fuels subject to excise duty, vi) crop extension services, vii) Deep cycle batteries, composite lanterns, and raw materials for their manufacture, viii) irrigation works, sprinklers and ready to use drip lines, viii) dental, medical, and veterinary equipment, ix) postage stamps, x) Passenger transportation services, except travel and tour operators increased in value at half year in FY 2023/24. These items tend to address social, welfare and equity objectives, as they are consumed primarily by the poor. Thus, addressing the objectives of the intervention.

During the first half of the FY 2022/23, the highest value and proportions for exemption supplies were registered under petroleum fuels subject to excise duty (70%), financial and insurance services (22.81%) (**Annex 1**). This was mainly to support and minimize costs of petroleum products. A remarkable increase in value for financial and insurance services of 158% (to Ug shs 3,166bn) was registered in the first half FY 2023/24 indicating areas of scope for policy review. There was a balance between policy objectives to support provision of affordable services and revenue realization, thus performance was **rated fair**.

[3] Utilized total declared sales in the VAT returns.

3.2.5 Review the policy on deeming to allow the VAT system to function normally

The intervention seeks to have deeming limited to special circumstances where its application upholds the integrity of the VAT system. The tax payable on a supply made by a supplier to a contractor on an aid-funded project is deemed to have been paid by the supplier. It is assessed by the indicator - value of VAT foregone on deemed supplies. The ratio should be expected to remain within baseline levels. If it increases remarkably, this would be a point of concern, as it would be eroding the VAT base.

In the first half of FY 2023/24 the value of VAT foregone was Ug shs 325.19bn. This was a 57.6% reduction for the same period for FY 2022/23 **(Table 3.6)**. Although the value of VAT foregone on deemed supplies reduced, this performance was based on the outturn of supplies made in the period and not as a revision to have all items Vat-able, and not limited to special circumstances, thus the performance was rated **poor**.

Table 3.6: Value of deemed supplies as % of total supplies to Government

	Half Year FY 2019/20	Half Year FY 2020/21	Half Year FY 2021/22	Half Year FY 2022/23	Half Year FY 2023/24
Value of deemed supplies (Ug shs bn)	2,330.03	2,608.35	3,385.26	3,134.80	1,806.60
Value of VAT foregone on deemed supplies (Ug shs bn) (18%)	419.41	469.50	609.34	564.26	325.19

Source: URA Database

CORPORATE INCOME TAX (CIT)

One of the DRMS objectives is to enhance the income tax system through various instruments, including Corporate Income Tax (CIT). Revenue yield from CIT as a percentage of GDP in Uganda is lower than other EAC countries, despite having the same CIT rate.

The Corporate Income Tax was measured under two out of seven interventions: i) maintain support for priority sectors (continue supporting the competitiveness of priority sectors of the economy), ii) support workforce education/training, iii) review and renegotiate over-generous treaty provisions, iv) strengthen international trade rules, v) improve information sharing domestically and internationally. The interventions monitored at semi-annual were - support workforce education/training, and rebalance the nominal rate and the incentives, deductions and depreciation regime).

3.2.6 Support workforce Education/Training

More trained and qualified income tax assessors and administrators are expected to optimize CIT revenue through their work. The opposite is true (i.e., less trained/less qualified or fewer trained income tax assessors will not optimize income tax revenue. The policy intervention requires enhancement of support to income tax training and education. Thus, the indicator will track whether there was an increase in number of qualified technical staff handling income tax work. It is measured through one indicator:

1) Proportion of technical staff handling domestic taxes that are graduates of PODTRA

As at the end of quarter two FY 2023/24 a total of 1,079 (33.7%) staff had been trained across the different departments at organizational level in URA against a total headcount of 3,204. Of the 1,079 trained, 684 were in the Domestic Tax Department. The staff were trained in different fields including: Advanced tax audits, Transfer pricing blended learning cycle, Automated Deemed VAT and VAT Exemptions, Business Intelligence(BI) Training for DT, DT State Trading Enterprises (STE) and Tax Registration and Expansion Project (TREP) Officers training, Exam booking fees in taxation (Advanced Diploma in International Taxation - ADIT), Exchange of Information, Excise Duty, GIS and data analytics, Institute of Certified Public Accountants of Uganda (ICPAU) annual seminar, International System of Units (ISU) AGM Conference and Annual CPD Trainings for DT staff, Returns Examination, Tax Amendments 2023-24, Tax Audit Module, Training of Trainers (ToT) on New DT Business Processes, Training for the DT STEs and TREP Officers and Transfer Pricing.

URA lacks staff that handle income tax only, they handle different taxes under domestic tax therefore the indicator calculation could not be done. The indicator performance was rated fair as the proportion of staff that achieved requisite training was less than 50% at semi-annual.

3.2.7 Rebalance the nominal rate and the incentives, deductions and depreciation regime

There are broadly two options: limiting allowable deductions or the amount of losses that can be offset. The number of allowable deductions should be reviewed, considering an alignment of tax depreciation with economic depreciation, where appropriate in accordance with national objectives.

Secondly, consider the option of limiting the amount of the losses that can be offset each year to a proportion (e.g. 50%) of the profits of each future year that would otherwise be taxable. This ensures that a company claiming to offset historic losses against future taxable trading profits would have to pay some CIT. Losses can thus be relieved in full, but companies can no longer avoid paying tax indefinitely by using strategies that "refresh" the losses carried forward. This system is also less likely to be distorted in favor of large companies. The proposal is also consistent with good international practice and modernizes an underperforming tax, while generating revenues from large companies that may historically have paid little tax in Uganda. This intervention is measured under two indicators:

1) **CIT Effective Tax Rate**

CIT Effective Tax Rate (ETR) is the average percentage that companies pay in taxes on their taxable income. Ideally, the CIT Effective Tax Rate should continue increasing compared to the base year. The intervention requires that tax losses carried forward within the CIT system should be minimised because they are substantial and distort the CIT yield.

The CIT ETR at semi-annual continued to increase compared to the base year (2021/22), this means that substantial tax losses have been minimised in the three FYs increasing the CIT yield. Although the CIT ETR increase (FY 2021/22-2023/24) is minimal (0.24%), it indicates a positive change which aligns with the indicator objective **(Table 3.7)**. Therefore, the performance was rated **fair** as there was a minimal increase in the CIT Effective Tax Rate.

Table 3.7: Semi -annual CIT effective tax rate FY 2021/22- 2023/24

	Semi-Annual FY2021/22	Semi–Annual FY 2022/23	Semi–Annual FY 2023/24
Total corporate income tax revenue collectable (payable) (Ug shs bn)	303.69	270.15	565.49
Gross income/turnover (Ug shs bn)	50,924.14	52,082.95	67,335.23
CIT Effective Tax Rate (%)	**0.60**	**0.52**	**0.84**

Source: URA Database

2) **Allowable deductions as a percentage of gross income in a year**

The aim of the intervention is to partly restructure the allowable deductions with a view to expand the taxable income. It also intends to monitor whether deductions as a percentage of gross income are reducing as should be expected. Additionally, the intervention aims to have the number of allowable deductions reviewed, considering an alignment of tax depreciation with economic depreciation, where appropriate in accordance with national objectives.

Deductions had a Ug shs 2,506bn increase in FY 2023/24 as compared to FY 2021/22 while the gross income declared registered a Ug shs 16,411.09bn increase. The allowable deductions as a percentage of gross income increased by approximately 1%, from 16.04% to 17.03% which indicates that the taxable income decreased as compared to the previous FY2022/23 **(Table3.8).** Therefore, the intervention performance rated **poor.**

Table 3.8: Allowable deductions as a percentage of gross income in a year

	Semi-Annual FY 2021/22	Semi–Annual FY2022/23	Semi–Annual FY 2023/24
Total deductions declared by corporate taxpayers (Ug shs bn)	8,961.46	8,353.48	11,467.82
gross income declared (Ug shs bn)	50,924.14	52,082.95	67,335.23
Allowable deductions as % of gross income in a year	**17.60**	**16.04**	**17.03**

Source: URA Database

PERSONAL INCOME TAX (PIT)

The PIT has four interventions with nine (9) indicators, of which one indicator of one intervention was provided to be a measure of the progress of their implementation. This intervention is - review exemptions and consider alternative approaches.

3.2.8: Review exemptions and consider alternative approaches

For taxation to have a positive effect on accountability, taxes should be felt by most citizens, including government servants. The use of tax reliefs and exemptions by certain groups undermines the progressiveness of the system. Certain classes of employees, by the nature of either their work or their residence, are not taxed, affecting perceptions of fairness and equity one indication of non-declaration is the size of the PIT register relative to the size of the labour force. This intervention is measured through one indicator:

1) **PIT Effective Tax Rate**

This indicator measures the average percentage that individual taxpayers pay in taxes on their taxable income. If exempt incomes are reviewed with a view to expand the tax base, the PIT ETR would be expected to improve relative to the baseline. The intervention particularly requires a review of exemptions applied to Judges, Members of Parliament, expatriates and employees under donor-funded programmes.

The average percentage that individual taxpayers pay has increased over the years. The PIT Effective Tax Rate increased by 6.3 percentage points in the first half of FY2023/24 compared to the same period in FY 2022/23 and by 5.34 percentage points in FY 2021/22 the same period. However, this increase relative to the baseline was not attributed to any reviews of exempt incomes (i.e. Judges, Members of Parliament, expatriates and employees under donor-funded programmes). Although the total individual income tax revenue increased, the total taxable income relating to PAYE and presumptive tax decreased by Ug shs 1,807.34bn. This is an indication that the use of tax reliefs and exemptions by certain groups continues lead to some citizens not paying taxes **(Table 3.9).** The performance was therefore rated **poor.**

Table 3.9: PIT Effective Tax Rate

	Semi Annual FY 2021/22	Semi Annual FY 2022/23	Semi Annual FY 2023/24
Total individual income tax revenue payable (Ug shs bn)	1,981.88	1,947.32	2,100.51
Total taxable income relating to PAYE and presumptive taxes (Ug shs bn)	9,597.70	9,890.8	8,083.46
PIT Effective tax Rate (%)	**20.65**	**19.69**	**25.99**

Source: URA Database

IMPROVE THE EXCISE DUTY REGIME

Excise duties on items such as alcohol and cigarettes are traditionally designed to address negative externalities and influence consumer behaviour. However, over time the government has shifted the policy approach to broaden the range of motivations and tended, instead, to use excise duties as a revenue-raising tool, introducing taxes on mobile money, airtime, sugar, cement, cooking oil, and the internet. Revenue from excise duties is normally responsive to growth in GDP, as more prosperous consumers purchase more excisable products. The government now seeks to take a smarter approach to excise duties, reducing complexity, ensuring buoyancy, and properly balancing revenue needs with targeting negative externalities.

This objective is measured through four interventions, namely: (i) Develop a broader scheme of environmental taxes; (ii) rationalise multiple rates; (iii) introduce and enforce strict regulations with regards to the production, distribution and consumption of alcohol and other excisable products; and (iv) consider revised approach to inflation adjustments. One indicator- Develop a broader scheme of environmental taxes was assessed and presented as follows:

3.2.9 Develop a broader scheme of environmental taxes

The development of policy should seek to adopt a rate which balances revenue yield, the cost to consumers, and the deterrent effect, and limit the arbitrary introduction of new excisable items. This intervention is assessed through one indicator:

1. **Revenue from environment-related taxes as percentage of public expenditure on environment control**

The aim of the intervention is to expand the range of taxed pollutants to reduce their harmful impact on health and well-being. Although ring-fencing of tax revenues is not encouraged in Uganda, the best way to monitor the implementation of this intervention is to track the proportion of expenditure on environmental control that is covered by the revenue proceeds from environment related taxes. Ideally, such expenditures should be 100% covered by revenues from the environment related taxes. A coverage of less than 25% would imply there is more that needs to be done in terms of using excises to prevent harmful environment activities in the country**.** The expenditure is expected to be 25% covered by revenues from environment-related taxes.

The environmental tax as a percentage of expenditure on environmental control in the first half of FY 2023/24 was 12.77%. This was an increase from 10.2% attained in the same period FY

2022/23 and 8.09% in FY 2020/21. Although revenue environmental levies continue to grow, it is still too low compared to the expenditure on environmental control, as based on the water and environment budget. This indicates a need for more effort towards taxes on pollutants (**Table 3.10**). Thus, the performance was rated **poor** as revenue from environment-related taxes did not cover the environmental control expenditure. Additionally, many pollutants such as carbon emissions falling in the taxable bracket remain excluded from the excise duty tax net.

Table 3.10: Revenue from environment-related taxes compared to environmental control

	Semi-Annual FY2020/21	Semi-Annual FY2021/22	Semi-Annual FY2022/23	Semi-Annual FY2023/24
Revenue from environmental taxes/levies (Ug shs bn)	140.07	133.41	140.66	146.13
Expenditure on environmental control[4] (Ug shs bn)	1,730.52	1,404.32	1,404.32	1144.50
Revenue from environment-related taxes (%)	8.09%	9.50%	10.02%	12.77%

Source: URA Database

TAX ADMINISTRATION INTERVENTIONS /INDICATORS

3.3 Performance of Tax Administration Interventions

Tax Administration interventions performed fairly. Of the 16 interventions assessed, one had good performance, 12 were fair and 3 poor.

GOVERNANCE AND MANAGEMENT OF URA

The URA Act (1991) established the Authority as "an agency of government under the general supervision of the Minister of Finance" for the assessment and collection of specified revenue and to administer and enforce the laws relating to such revenue. The URA Board is responsible for monitoring the performance of the URA and determination of policies relating to staffing and procurement of the authority. This objective is measured through four interventions: (i) review the URA structure and consider reorganization to promote integration; (ii) expand the range of measures for assessing URA's performance to reduce reliance on collection targets as follows; (iii) strengthen the oversight function of the URA Board and the Minister; (iv) Separate Internal Audit and Staff Compliance functions to enhance dedicated attention given to corruption and staff integrity issues (completed). Only two interventions were assessed at half year.

3.3.1 Review the URA structure and consider re-organization to promote integration

The DRMS requires that the structure is reviewed to address current demands and promote the integration of cross-cutting processes and central offices. This should include establishing a common process for all processing of tasks such as registration, revenue management, or taxpayer services, while specializing the Large and Medium Taxpayer Offices. This intervention is measured through one intervention:

1. **Leadership Effectiveness Index**

The indicator intends to track URA's organizational efficiency by monitoring progress in implementing the aspects prescribed in the intervention that is, establishing a common process for all processing of tasks such as registration, revenue management, or taxpayer services. A

[4] Based on the water and environment Budget.

low score will suggest there is more that needs to be done to effectively implement the intervention.

The indicator performance could not be availed, however the structural review and functional alignment for the authority was ongoing. Engagements were held with the respective heads of departments and their management teams that identified emerging business growth areas that have structural implications; misalignment issues, and challenges that need to be addressed. By 31st December 2023, the structural gap analysis report had been prepared, job descriptions for all newly proposed roles across the various departments were also developed and shared, and a job analysis and evaluation committee was nominated, appointed and trained to support the ongoing job analysis and evaluation exercise. Thus, performance was rated **fair**.

3.3.2 Expand the range of measures for assessing URA's performance to reduce reliance on collection targets

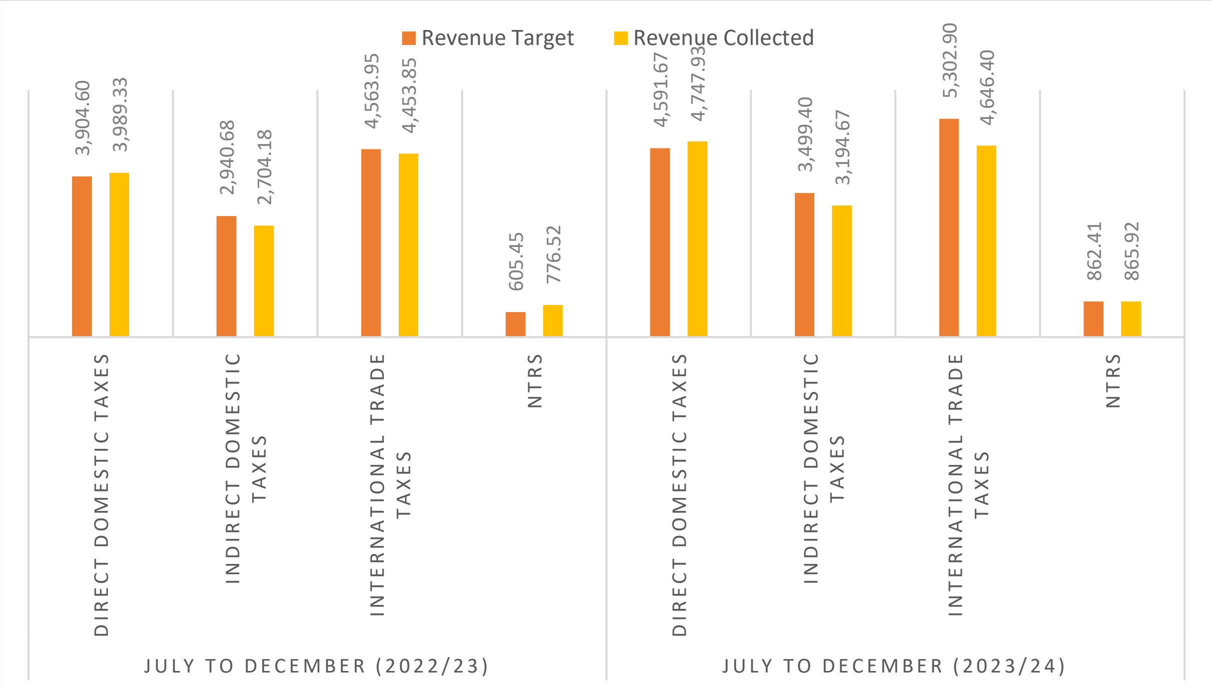
The DRMS requires balancing Key Performance Indicators (KPIs) with quantity, quality, and taxpayer satisfaction indicators, which will give a wider view of the effectiveness of the administration. This should include the tax compliance gap, growth in active taxpayer population, on-time filing and payment rates, and improvement of arrears collection, IT availability and response times. This intervention is measured through five indicators, one of which was tracked semi-annual, and the following was noted:

1. **Revenue collection to target (collected revenue as % of revenue target)**

The indicator seeks to measure the extent to which the revenue target is being met. By 31st December 2023, the gross revenue collections were Ug shs 13,454.91bn, against a target of Ug shs 14,256.39 bn indicating a deficit of Ug shs 801.48bn (Annex 2). Comparatively, in the same period FY 2022/23, the gross revenue collections were Ug shs 11,923.88 bn, against a target of Ug shs 12,014.68bn leading to a deficit of Ug shs 90.80bn The uncollected tax to target therefore increased by 4.9 percentage points (from 0.76 to 5.62), however in absolute terms there was an increase in revenue collection of Ug shs 1,531bn .This performance was attributed to arrears management initiatives and non-intrusive scans and inspections.

At the tax head level, direct domestic taxes registered a surplus of Ug shs 156.26bn, Non-Tax Revenue registered a surplus of Ug shs3.50 bn, while indirect domestic taxes and international taxes both registered a shortfall of Ug shs 304.7bn and Ug shs 656.50bn, respectively. International trade registered the highest shortfall (12.38%) **(Figure 1**). The tax-to-target deficit, under the respective tax head, grew by (9.98%) from the previous financial year. The underperformance was attributed to a decline in revenue reported under VAT on imports and to poor performance by all tax heads under customs. For example, there was a shortfall of Ug shs 58.18bn in excise duty due to a decrease in the tax yield of key imported excisable goods like cigarettes by Ug shs 4.98bn, malt beer by Ug shs 1.56bn, petroleum oils by Ug shs 1.44bn and fermented beverages by Ug shs 1.32bn. Performance was therefore rated **fair.**

Figure 1: Tax to target by revenue source FY 2022/23 and FY 2023/24



Source: URA Database

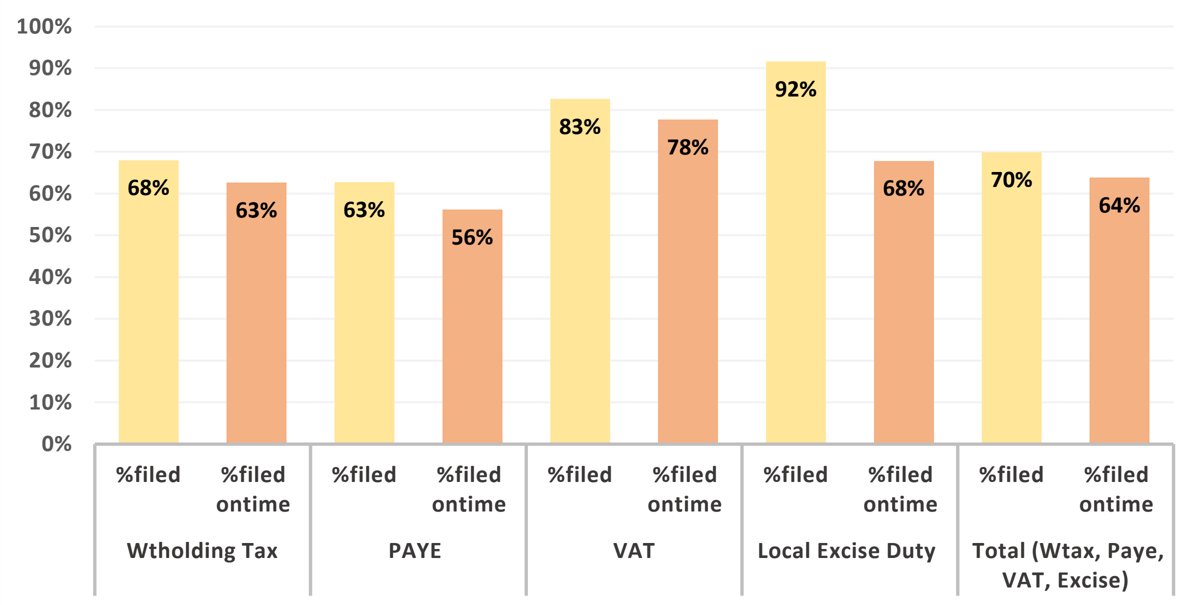
2. Filing and On-time filing

This seeks to assess URA's efforts towards enforcing on-time filing. The desired outcome is an increase in the on-time filing rates.

By 31st December 2023, a total of 343,502 returns (70%) were filed of the expected 491,318 across the four selected Tax heads (Withholding (WHT), Pay as You Earn (PAYE), Value Added Tax (VAT), Local Excise (LED). Of these, 313,450 (64%) were filed on-time. PAYE registered the least performance with regards to both filing (63%) and on-time filing (56%), whereas filing rates were highest under LED and on-time filing was highest under VAT **(Figure 2).**

Filling rates were affected by the adjustments that came with the pioneering of the new online web portal at the start of quarter two of FY 2023/24. The URA is currently employing various efforts, such as extension of filing deadlines and handholding of taxpayers, to ease the transition into the new system and improve the on-time filling ratios. Performance was therefore rated **fair.**

Figure 2: Filing and on-time filing rates by tax type FY2023/24



Source: URA Database

LIFTING THE HUMAN RESOURCE CAPACITY AT URA

Weak human resource (HR) management is a major obstacle to modernizing a tax administration. To support the achievement of the objectives of DRMS, the URA needs a productive, highly skilled, and motivated workforce. This objective is assessed through Interventions: (i) conduct an independent staffing review; (ii) implement a comprehensive training strategy and develop a URA tax training academy; and (iii) review the URA performance management and reward system.

3.3.3 Conduct an independent staffing review

The DRMS envisaged URA conducting a staffing review, which would interrogate the current staff structure, and workload and examine where staff might be internally reallocated to improve efficiency, prioritization, and productivity. It would also provide critical guidance necessary for new recruitment, such as front-loading hiring and redeployment to areas that will have the greatest impact on domestic revenue mobilization.

The comprehensive workload analysis was completed, covering the ranks of Manager, Supervisor and Officer, and the comprehensive report was submitted to management as critical inputs to guide the organizational Structural Review and Functional Alignment. This intervention is measured through two indicators, which were both tracked, and the following was noted:

1. **Taxpayer/technical staff ratio**

This intervention aims to track the number of taxpayers handled by each staff member. It is assumed that each technical/operational staff (Domestic and Customs) is expected to handle a maximum number of taxpayers to remain efficient.

By 31st December 2023, the ratio of taxpayers to URA staff decreased to 129,978 from 143,364 due to an increment in the number of URA staff alongside an almost proportionate increment in the number of taxpayers **(Table 3.11).** The number of URA technical staff increased by

46%, while the number of taxpayers increased by 32%. Though the decline is moderate, it shows good progress towards achieving the objective. Thus, performance was rated **fair**.

Table 3.11: Taxpayers to Technical Staff

	Half Year FY2022/23	Half Year FY 2023/24
No. of Taxpayers	3,067,983	4,064,432
No. of URA technical/operational staff	2,140	3,127
Taxpayer to Technical/operational staff ratio	143,364	129,978

Source: URA Database

2. Revenue per URA staff (by tax group)

The goal is to monitor the contribution of each staff in terms of the average revenue collected per staff. A decrease in the average revenue per staff would need to be examined if it is not due to additional staff recruited to ensure a balanced taxpayer/staff ratio.

Revenue collected by 31st December 2023 was Ug shs 13,454.91bn, of which Ug shs 8,808.51bn was domestic taxes and Ug shs 4,646.40bn customs (**Table 3.12).** The total (operational) average revenue per staff increased slightly by 4.5% from the previous half year (FY 2022/23). The average revenue per staff for Domestic Taxes increased by 12.9%, however, it was accompanied by a 4.4% growth in the number of staff. Conversely, the average revenue per staff for Customs decreased by 7.6% alongside a 13% increment in staff over the same period. The decline was mostly attributed to a declining taxable base, tax exemptions and trading within the EAC region. Therefore, performance was rated **fair.**

Table 3.12 Average revenue per staff

Area	Half Year FY 2022/23			Half Year FY 2023/24		
	Revenue collected (Ug shs bn)	No. of staff	Average Revenue per staff (Ug shs bn)	Revenue collected (Ug shs bn)	No. of staff	Average Revenue per staff (Ug shs bn)
Total (Operational)	11,923.87	2140	5.571	**13,454.91**	**2,310**	5.824
o/w Domestic taxes	7,470.03	1264	5.909	**8,808.51**	**1,320**	6.673
o/w Customs	4,453.85	876	5.084	**4,646.40**	**990**	4.693

Source: URA Database

3.3.4 Implement a comprehensive training strategy and develop a URA tax training academy

The intervention seeks to facilitate staff on boarding, ensure that the necessary skills are acquired quickly, and achieve a higher level of productivity. The impact of the adoption of new technologies should be factored into this training plan, enabling URA to react better to changes in the tax environment due to disruptive technologies. This intervention was measured through one indicator, as follows:

1. Proportion of operational staff that completed basic training in taxation

The indicator aims to measure the capacity of operational staff handling technical matters relating to domestic taxes. The indicator requires that at least 95% of the staff should have completed basic training in taxation (Postgraduate Diploma in Tax and Revenue Administration (PODITRA)/ Integrated Tax and Revenue Administration training (ITRAT).

By 31st December 2023, the percentage of Domestic Tax (DT) operational staff that had completed PODITRA/ ITRAT decreased by 1.3 percentage points from the previous half year **(Table 3.13).** This was on account of a 4.4% increase in DT staff against a 2.5% increase in staff with PODITRA, implying that recruitment might be surpassing capacity enhancements in basic training. Though the margins are small, it is important that this is corrected to prevent escalation. The performance thus rated **fair**.

It is worth nothing that the URA implemented several other capacity enhancement programs such as: i) East African Customs Freight Forwarding Practicing Certificate continuous professional development trainings for tax administration, EFRIS and completing customs declarations, ii) Post Graduate Diploma in Tax Investigations for 26 Staff and EAC Certificate Training for 85 staff, iii) training for all TREP officers (184) covering the topics of: Basic Financial Accounting, Income Tax, VAT, Rental, Presumptive and tax Registration and iv) Developed job descriptions for the proposed Tax Academy structure. Funding for the Tax academy was not yet approved by Parliament, yet it is a DRMS requirement.

Table 3.13: Number of staff that completed basic training in taxation

	July to December 2022 (Half Year)	July - December 2023 (Half Year)
No. of DT staff with PODITRA or some other recognized qualification*	914	937
Total No. of DT staff	1,264	1,320
%of staff with PODITRA or some other recognized qualification*	**72.31**	**70.98%**

Source: URA Database

3.3.5 Review the URA performance management and reward system

Morale and motivation are low among URA staff. Therefore, the DRMS seeks to consider expanding the salary structure to support career progression for high-performing technical staff. In addition, develop a framework based on clear KPIs to reward staff for good performance, and introduce clear criteria for the retention of key staff that are nearing retirement. Furthermore, salaries should be periodically adjusted for inflation. This intervention is measured through one indicator, as follows:

1. **Staff attrition rate**

The indicator aims to track the number of staff that leave the URA before reaching retirement age, excluding deaths. It is assumed that poor terms and conditions of work are the key factor influencing staff to leave the institution before retirement.

The staff attrition rate increased by 0.56 percentage points, from 1.65% at half year FY 2022/23, to 2.21% at half year FY2023/24. This was due to a 27% increase in staff leaving **(Table 3.14).** In absolute terms, the Domestic Taxes Department continues to have the highest number of staff leaving (31), which is concerning as it is critical to revenue mobilization. DT also benefits from the largest share of the training budget (23% of the operational and professional training budget was allocated to Domestic Taxes). Similarly Corporate Services and Customs had 13 and 9 staff leaving, respectively, which is a 44% increase for Corporate Services and a 43% decrease for Customs. URA should improve the work conditions so that they can maintain the talent that they have recruited and potentially invested in. Therefore, performance was rated **poor**.

With regards to performance management, the authority has:

I. Developed the guidelines and conducted the Quarter One (Q1) performance evaluation for the Commissioner General (CG), his direct reports and all the other staff. This was critical in enabling the Authority to measure performance against the strategic agenda; identify areas of improvement and focal areas for the next quarter; and establish the outstanding performers to be rewarded and recognized.

II. Conducted independent targeted validation which was a game-changer to establish the areas of poor performance contracting, under-targeting and areas of improvement that will position and refocus the Authority to driving a high-Performance Culture.

III. Conducted PM Validation of the Performance Evaluation Results for the candidates being considered for promotion to Board-Appointee Positions (Assistant Commissioner and Manager positions) to ensure the selection of exceptional performers that will position the Authority to becoming a high-performing organization.

IV. Developed comprehensive PM Guidelines to guide the organizational Mid-Year Evaluation detailing the eligibility, requirements, procedure including the appeal process, roles and stipulated timelines.

V. The PM Team will conduct comprehensive sensitization; and handholding of all staff starting with all the line-managers and then cover staff at the grassroots. They will also develop and rollout a robust change management strategy to foster staff buy-in and ownership of the new approach.

Table 3.14: Staff attrition rate

Department	July – December 2022 (Half Year)			July - December 2023 (Half Year)		
	No. of Staff	No. of Staff Left	Attrition Rate (%)	No. of Staff	No. of Staff Left	Attrition Rate (%)
CG's Office	141	2	**1.41**	134	0	**0.0000**
Domestic Taxes	1,426	17	**1.19**	1,320	31	**2.3485**
Customs	1,001	16	**1.59**	990	9	**0.9091**
Corporate Services	242	9	**3.71**	271	13	**4.7970**
Internal Audit	43	1	**2.32**	41	1	**2.4390**
Tax Investigations	154	2	**1.29**	146	6	**4.1096**
Information Technology and Innovation	182	3	**1.64**	164	6	**3.6585**
Legal Services	65	4	**6.15**	61	3	**4.9180**
Total URA	**3,254**	**54**	**1.65**	**3,127**	**69**	**2.2066**

Source: URA Database

DATA MANAGEMENT AND ANALYTICS AND ICT GOVERNANCE AND INFRASTRUCTURE

While URA has increasingly adopted a data-driven approach, data analysis has not been fully exploited to promote revenue generation and enhance voluntary compliance. Weak data integrity lies at the heart of many of URA's challenges. Without clean data on the entire lifecycle of taxpayers and error-free account management, URA cannot have a full picture of their tax base or effectively manage compliance. In addition, it has become imperative that Information and Communications Technology (ICT) systems become less complex, more user-friendly, easily adjustable, and more intelligent, effectively moving to a level that allows for pre-populated returns.

This objective is assessed through one intervention: i) develop a cross-government policy framework for data sharing and management to ensure that data is captured and stored in a systematic, standard way. This would make data usable across the government. ii) Standardise key government systems to improve integration.

3.3.6 Prioritize a data quality improvement strategy and develop processes to maintain data quality

The intervention aims to ensure that all data fields in URA's tax databases are populated with relevant and complete data. Where there are gaps, this affects the quality of the data available. This is what the indicator attempts to monitor. Any percentage below 100 percent would imply there is more room to improve data quality in the area affected. This intervention is assessed through one indicator as follows:

1. **Percentage of data records that are complete**

The percentage of data records completed was not availed, however, URA conducts register maintenance across all compliance centres. This is a deliberate action to cleanse the taxpayer register of inaccurate taxpayer information, missing information, duplicate and dormant Tax Identification Numbers (TINs), and cases for reactivations and deactivations.

By 31st December 2023, the completion rate was 86.9% of the half year target **(Table 3.15).** This implies that data quality is improving. However, without knowing the overall percentage of data records completed, it is impossible to assess if all data fields in URA's tax databases are populated with relevant and complete data. Thus, performance was rated **fair**.

In addition, to ensure data quality standards were upheld, URA undertook some integration initiatives with external parties to validate transactions. These included:

i. Integrated Financial Management Information Systems (IFMS) integration with EFRIS (Electronic Fiscal Receipting and Invoicing Solution). The aim of this is to have all government invoices fiscalised on EFRIS. This shall serve as a data exchange platform for purposes of following up compliance of government suppliers as well as prefilling the VAT return. The prefilling will help reduce data quality issues in the "Suppliers to Government" field of the VAT return which is currently free text and not validated, thus posing a revenue leakage. This was at development phase.

ii. Integration with IFMS and Bank of Uganda (BoU) to reconcile NTR. The prior interface with BoU and IFMS was only targeting the core taxes of PAYE and WHT. This enhancement will close the data quality issues in reconciliation of government revenue. It was at User Acceptance Testing.

Table 3.15: Performance of Register Maintenance/Clearing FY 2023/24

Register Maintenance/ Clearing	July - December 2023 (Half Year)
Target	12,040
Completed	10,463
Completion rate (%)	**86.90%**

Source: URA Database

3.3.7 Create a formal data skills development plan

Good tax administrators should not only be conversant with the tax laws, but also with data analytics - having a basic ability to analyze raw data to make conclusions about that information. To attain such abilities, staff should be given the relevant training (in data analytics). This is what the indicator seeks to monitor. The desired outcome will be to have all staff trained, i.e., achieving 100 percent coverage. An indicator results of below 100% would imply there is more that needs to be done to achieve the goal of the intervention. This intervention is assessed through one indicator as follows:

1. **Technical staff trained in data analytics (%)**

By 31st December 2023, 3.17% of the staff (in the selected functional areas) had been trained in data analytics, which is only 6.7 percentage -less than what was achieved at the end of the FY 2022/23. This is alongside a 9% increase in staff and implies good performance, if this trend continues. Functional areas that received the most training in data analytics were Domestic Taxes (4.85%), Tax Investigations (3.42%), Corporate Services (2.58%) and Customs (2.22%) **(Table 3.16).**

In addition, a training needs assessment tool was developed to guide the identification of the departmental critical and competency-based needs. As a result of this tool, 33.6% (1079) of staff at the organizational level had received relevant training in various areas and 55% of the total training budget had been absorbed. This performance was rated **good.**

Table 3.16: Staff trained in data analytics (%) FY 2022/23 and 2023/24

Functional Area	Yr2 (FY 2022/23)			July - December 2023 (Half Year)		
	No. of Technical Staff	No. of staff trained in data analytics	% share of staff trained in data analytics	No. of technical staff	No. of staff trained in data analytics	% share of staff trained in data analytics
CG's Office	127	0	**0.00**	134	0	**0.00**
Domestic Taxes	1,259	64	**5.08**	1,320	64	**4.85**
Customs	882	22	**2.49**	990	22	**2.22**
Corporate Services	187	9	**4.81**	271	7	**2.58**
Internal Audit & Compliance	40	0	**0.00**	41	0	**0.00**
Tax Investigations	148	5	**3.38**	146	5	**3.42**
Information Technology and Innovation	168	1	**0.60**	164	1	**0.61**
Legal Services	60	0	**0.00**	61	0	**0.00**
Total URA	**2,871**	**101**	**3.52**	**3,127**	**99**	**3.17**

Source: URA Database

3.3.8 Standardize key government systems to improve integration

The objective of this intervention was designed to enhance interfacing.

NITA-U developed a data sharing and integration platform to enhance the delivery of services in government and private sector. This was created to tackle the challenges faced by MDAs in data sharing due to low levels of automation, use of legacy systems, limited funding for Application Programming Interface (API) development, and lack of a mechanism through which data can be exchanged between MDAs in a rational, secure, efficient and sustainable way.

By 31st December 2023, this platform had been rolled out to nine public and private entities bringing the cumulative number of entities on boarded to 126. The cumulative total increased by 23% from the previous half year FY 2022/23, whilst transactions increased by over 100% over the same period. **(Table 3.17**). Additionally, the Digital Authentication and E-signatures platform (UGPASS) was developed to offer two key services including digital authentication to government services and provide e-signatures for seamless e-government services transactions. Therefore, performance was rated **fair.**

Table 3.17: New entities integrated onto the Data Sharing and Integration Platform

S/N	Entity	Category	Ownership
Quarter one			
1.	National Water and Sewerage Corporation	MDA	Public
2.	National Council for Higher Education	MDA	Public
3.	Smile Identity Inc	Fintech	Private
4.	National Curriculum Development Centre	MDA	Public
Quarter two			
5.	Ministry of Foreign Affairs	MDA	Public
6.	Bandwidth and Cloud Services Group Uganda (BCS)	Fintech	Private
7.	Wugantec Uganda Limited	Fintech	Private
8.	XENO Investment Management	Fintech	Private
9.	Private Sector Foundation – Uganda	Private	Private

Source: NITA- U

TAXPAYER REGISTRATION

The taxpayer register is the cornerstone of any tax administration, so any lack of accuracy, reliability and credibility in the taxpayer register will in turn lead to deficiencies in collection and enforcement, increasing administrative and compliance costs. Identifying and registering taxpayers is thus vital for undertaking the full spectrum of compliance functions, such as detecting stop-filers and managing tax arrears. This objective is assessed through four interventions, one of which was reported as follows:

3.3.9 Promote political messaging supportive of a “civic duty to register”

The goal of the intervention is to expand the taxpayer register. An increase in voluntary registrations will indicate a successful implementation of the intervention. Zero or no change in voluntary registrations relative to the baseline value will imply there is more that needs to be done to improve voluntary registrations. This intervention is assessed through one indicator as follows:

1. Voluntary registrations as % of new registrations

By 31st December, 564,138 new taxpayers had been added to the tax-payer register, of which 258,896 (46%) were voluntary and 305,242 (54%) forced. As a result, the Taxpayer Register grew by 16% to 4,064,432. Previous data on voluntary registrations at half year was not availed but the greater percentage of forced registrations implies that the intervention is not working as expected, though the margin is low. In addition, the growth in the taxpayer register has declined slightly (1.1percentage points) from 17.19% as at 31st December 2022 to 16.12%. Therefore, performance was rated **fair**.

TIMELY AND ACCURATE FILING BY TAXPAYERS

The tax system relies heavily on timely, accurate and complete reporting by taxpayers in their tax declarations. To mitigate fraud and revenue losses, tax administrations should therefore undertake a range of actions to ensure compliance. Low filing rates are prevalent, and this is largely due to poor connectivity in certain regions which is not reliable so the environment cannot support a fully online system. This objective is assessed through the intervention:

3.3.10 Address infrastructure constraints by offering points for connection across the country

This intervention is assessed through one indicator as follows:

1. **No. (Percentage) of returns filed through URA-sponsored connection points**

This indicator aims to monitor the effectiveness of the intervention regarding improving tax filing rates using URA-sponsored connection points. An increasing proportion will imply the intervention is working.

The number of returns filed through URA connection points could not be tracked at half year however, URA had begun the procurement process of acquiring office space for 13 Domestic Tax Offices across the country, thereby working towards bridging assess constraints. By 31st December 2023, five were completed (65%), four were in the finishing stages and the remaining four were still at procurement level.

In addition, regarding the expansion of the National Backbone Infrastructure (NBI), NITA-U conducted network extensions and improvements at Entebbe International Airport (the main terminal, new terminal building, control tower, new cargo terminal and VIP were improved with the installation of new equipment (Wi-Fi 6). Thus, performance was rated **fair.**

3.3.11 Investigate options for enhancing the use of electronic payment methods, including mobile money

The DRMS places particular emphasis on mobile money. It requires that clarity is sought about how much banks and other financial institutions may charge customers for payment of taxes and consider ways to make this service free to taxpayers. This is measured through one indicator, which is reported on as follows:

1. **Distribution of payments by payment method**

The aim is to monitor the extent to which payment of taxes is eased, including through the use of mobile money. An increase in the share of mobile money payments to total payments will imply the intervention is working.

In terms of distribution of payment methods, over the counter payments continue to be the most popular at 42.20%, followed by Demand Draft at 18.6% and Electronic Funds Transfer at 15.68% **(Table 3.18).** Mobile money services continue to constitute a small percentage of the total payments' methods (0.55%), although in absolute terms, payments have increased from Ug shs 28.51bn by 31st December 2022 to Ug shs 74.11bn (160%) by 31st December 2023. In addition, a USSD code, which can be accessed through *285#, was initiated to simplify revenue collection. This could account for the growth in payments made through this method.

An increase in mobile money payments and other alternatives to banking is expected to ease the burden of making payments for taxpayers and thus improve timeliness. However, there are several payment options, which indicate high levels of flexibility. Performance was therefore rated as **fair.**

Table 3.18: Distribution of payments by payment method

Tax payments methods	July to December 2022 (Half Year) Ug shs bn	% share of payment method	July - December 2023 (Half Year) Ug shs bn	% share of payment method
Bank Counter	4,705.00	39.46	5,677.67	42.20
Cheque	879.21	7.37	855.89	6.36
Demand Draft	2,353.55	19.74	2,510.43	18.66
Electronic Funds Transfer (EFT/Internal Transfer)	1,853.86	15.55	2,110.29	15.68
Mobile Payment	28.51	0.24	74.11	0.55
Point Of Sale Payment	327.67	2.75	388.39	2.89
Real Time Gross Settlement (RTGS)	0.28	0.00	2.26	0.02
Swift Transfer	0.13	0.00	2.26	0.02
Visa/Mastercard Payment	1,775.66	14.89	1,833.61	13.63
Total gross revenue collected	**11,923.87**	**100%**	**13,454.91**	**100%**

Source: URA Database

TAX AUDIT

The tax administration relies on effective enforcement strategies to deter, detect, and address non-compliance, where voluntary compliance initiatives fail. With a low tax effort and high evasion, URA needs a smart approach to audit assessments and enforcement, premised on identifying the most significant risks.

This objective is assessed through interventions: (i) fully implement the recently adopted policy on digital tax stamps; (ii) strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk-targeting, and increasing the number of "mass audits."; (iii) bring the entire audit and payment process online; (iv) promote audit process integration across taxpayer offices at URA; and (v) include reports on audit activities and outcomes as an integral aspect of reports to MFPED. One intervention was monitored, and the following performance was noted:

3.3.12 Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk targeting, and increasing the number of "mass audits"

This intervention was assessed through two indicators as follows:

1. **Domestic tax audits conducted**

The aim is to monitor tax audit efforts/activities at URA. Each sub-indicator will be expected to exhibit improvements in the respective indicator values over the years. Where no change from baseline values is observed, it means the intervention probably needs reviewing.

By 31st December 2023, 98% of the total planned domestic audits, across the different initiatives had been completed. This is an improvement from the previous FY, where 49% were completed in the same period. During the half-year period, more emphasis was placed on conducting register maintenance (115%), compliance advisories (90%), and compliance visit (75%), as opposed to comprehensive audits (42%) which are more detailed and labour intensive. In addition, the total number of planned audit initiatives reduced by 72.4%. Audits are usually based on a compliance improvement plan (CIP) aimed at improving taxpayer declarations and behavior. However, there is no indication that declarations have improved as filing rates have not significantly changed **(Table 3.19).** Therefore, performance was rated **fair**.

Table 3.19: Domestic Tax Audits

	July-December 2022				July to December 2023			
Initiative	**Target**	**Completed**	**Percentage completed (%)**	**Tax Assessed (Ug shs Bn)**	**Target**	**Completed**	**Percentage completed (%)**	**Tax assessed (Ug shs Bn)**
Compliance Advisories	15,230	9,542	63	256.02	10,500	9,462	90	180.07
Compliance Visit	656	292	45	7.31	188	141	75	3.49
Comprehensive Audit	186	33	18	43.37	238	100	42	117.98
Issue Audit	2,234	563	25	74.98	1,367	735	54	202.35
Self-Health Review	234	66	28	6.78	161	117	73	3.31
Spot Inventory Check	45	13	29	0.24	300	174	58	7.45
Register Maintenance	65,703	30,862	47	0	10,463	12,040	115	-
Total	**84,288**	**41,371**	**49**	**389**	**23,217**	**22,769**	**98**	**514.65**

Source: URA Database

2. **Customs Post Clearance Audits**

The percentage of total targeted custom post-clearance audits completed increased, from 36% to 106%, by 31st December 2023 compared to the same period in the previous year (**Table 3.20).** This resulted in an increase in tax assessed, which grew from Ug shs 8.18bn to Ug shs 48.24bn, resulting in a tax yield of Ug shs 39.12bn. This shows an improvement in audit effort; thus performance was rated **fair.**

Table 3.20: Custom Post Clearance Audits

Initiative	**July-December 2022**				**July to December 202**				
	Target	**Completed**	**Achieved (%)**	**Assessments (Ug shs Bn)**	**Target**	**Completed**	**Achieved (%)**	**Assessments (Ug shs Bn)**	**Amour collecte (Ug sh Br**
Post Clearance Audits	150	54	36	8.18	135	144	106%	48.24	39.12

Source: URA Database

INVESTIGATIONS AND ENFORCEMENT

URA's Investigations Department carries out annual risk and threat assessments to determine problem areas. The identified areas are then investigated using information sourced internally and externally. However, poor access to technology, a lack of specialized skills, and low staff numbers have limited the ability to effectively tackle tax fraud, particularly as sophisticated tax crimes have proliferated, and transactions have become increasingly difficult to trace online.

This objective is assessed through interventions: (i) Implement the Automatic Exchange of Information and common reporting standards for tax purposes; (ii) enhance resources to equip scientific laboratories and investigations personnel; (iii) intensify penalties for non-compliance and increase the number of tax investigations; and (iv) publicize the results of enforcement initiatives. Two interventions were monitored and the following was noted:

3.3.13 Intensify penalties for non-compliance and increase the number of tax investigations

The intervention requires establishing a collection strategy that includes full use of asset seizures where appropriate and pursuing criminal prosecution for serious non-compliance. This intervention is assessed through one indicator, which was assessed as follows:

1. **Tax investigations and related enforcements conducted**

The indicator aims to monitor URA's efforts in enforcing tax compliance through tax investigations.

The number of tax investigation cases increased by 99% and the value by over 100%, indicating an improvement in investigation efforts. The largest growth was in prosecution cases (131%), followed by tax crime investigations (128%). Scientific investigation cases reduced by 38%, although the revenue identified did not significantly reduce. In addition, customs country wide enforcement operations led to a recovery of Ug shs 91.39bn. Consequently, 9,962 seizures, which was an improvement from 5,734 seizures for the same period in FY 2022/23 were executed and led to a recovery of Ug shs 57.21bn **(Table 3.21).** This indicates **good** performance.

Table 3.21: Tax investigations conducted

	July to December 2022/23		July to December 2023/24	
Area	**Number of cases**	**Revenue identified (Ug shs Bn)**	**Number of cases**	**Revenue identified (Ug shs Bn)**
Tax Crime Investigations	50	79.68	114	331.80
Prosecution Cases	16	1.87	37	35.79
Science Investigations	13	11.42	8	10.91
Financial Crime Investigations	1	5.87	-	-
Total	**80**	**98.84**	**159**	**378.50**

Source: URA Database

3.3.14 Publicize the results of enforcement initiatives

The DRMS asserts that enforcement programs will have limited deterrent effects if they are not visible, and thus not as threatening. It therefore requires that successes of efforts to curb non-compliance by specific taxpayers are publicized. This intervention is assessed through one indicator, which was assessed as follows:

1. **No. of media reports on results of URA tax enforcement initiatives**

The aim is to monitor URA's efforts in improving tax compliance through traditional media (excluding URA website and social media). The indicator assumes that the dissemination of news relating to tax enforcement activities will send a message to taxpayers, especially non-compliant taxpayers that business is no longer as usual.

By 31st December 2023, the URA issued eight media reports, which was a decline of 53% from the previous half year, across numerous media outlets (**Annex 3**), thus recording a **poor** performance. Increasingly publicizing the result of enforcement activities should act as a deterrent to taxpayers.

DISPUTE RESOLUTION

Independent, accessible, and efficient review mechanisms safeguard a taxpayer's right to challenge a tax assessment and receive a fair hearing promptly. In Uganda, this process is enshrined in the legal framework and taxpayers can dispute: (i) the accuracy of the facts used by the auditor, (ii) the correctness of the interpretation of the tax law, and (iii) the amount of penalties imposed by URA. This objective is assessed through the following intervention:

3.3.15 Facilitate Tax Appeals Tribunal (TAT) to expeditiously deal with cases by increasing staff training and numbers

The DRMS intended to see the TAT properly resourced, specifically requiring the Chairperson of TAT to be appointed as a full-time position, as well as extending the terms of services of TAT members to enable them to gain the necessary experience and contribute meaningfully. It also sought to have its staffing levels, financial resources, equipment infrastructure and training budget enhanced, requiring that the same principle used to provide a budget to URA be extended to TAT and increase its presence and accessibility to taxpayers across the country. The intervention is assessed through one indicator which was tracked and the following performance was noted:

1. No. of tax objections and appeals

The indicator aims to monitor the implementation of the DRMS interventions relating to the tax dispute resolution process within URA and the Tax Appeals Tribunal.

By 31st December 2023, the number of new tax disputes lodged to TAT increased to 154 (25.2%) from the half year FY 2022/23. Conversely, the proportion of tax disputes resolved within six months of lodging the case reduced by 86.7% and the proportion of cases escalated to the high court grew from 12 to 18 **(Table 3.22**). This indicates that the pace of case resolution is not keeping up with that of new cases lodged. Having many pending cases ties up revenue and acts as a deterrent for businesses to invest more. It also affects the turnaround time of refunds. Therefore, the performance was rated **poor**.

Table 3.22 Tax disputes resolution process indicators 2022/23 – 2023/24

Tax disputes sub-indicators	July –December 2022	July –December 2023
1. No. of outstanding tax disputes (excluding new cases)	114	145
2. Tax value of outstanding tax disputes (TAT), (Ug shs bn)	127,310,099,189.94	227,590,748,785
3. No. of new tax disputes lodged to TAT	123	154
4. Tax value of new tax disputes lodged to TAT (Ug shs bn)	127,310,099,189.94	496,539,849,828
5. No. of tax disputes resolved	119	108
6. Value of tax disputes resolved (Ug shs bn)	138,488,901,544	154,298,666,741
7. Proportion of tax disputes resolved within 6 months of lodging the case (%)	68	9
8. Proportion of TAT cases escalated to the High Court (%)	12	18
9. Tax value of cases escalated to the High Court (Ug shs bn)	14,884,799,883.49	15,527,826,957.3
10. TAT expenditure as % of net revenue collected by URA	60	33,633,000

Source: TAT

PROCESSING OF TAX REFUNDS

In line with best practices, the DRMS requires all refund claims to be subjected to automatic risk assessment and review by a URA Officer. Claims that are considered suspicious are subjected to a pre-refund audit, while credible cases receive lighter checks. This objective is measured through one intervention as follows:

3.3.16 Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declarations

The intervention requires: (1) Transparency in offset and refund management, which would be enhanced by improving online access to information about the amount and status of refunds due; (2) Use of big data to control compliance and management of tax refunds; (3) e-Tax inter module integration and effective eTax-Automated System for Customs Data (ASYCUDA) interfacing to improve the effectiveness of refund processing. This intervention is assessed through one indicator:

1. **No. (and Value) of tax refunds and offsets**

The indicator monitors URA's efforts towards managing tax refunds and offsets in a way that does not narrow the revenue base. The number of approved tax refund claims (of the claims received by half year FY2023/24) decreased by 23.6% and the value by 14.6% from half year FY 2022/23, indicating a strengthening of the audit process **(Table 3.23).** Comparatively, the proportion of refund claims processed on time (within 30 days) only increased by 1.38 percentage points, a decline from the previous half year period, where it had increased by 5.36 percentage points. The low performance in completion of the refund cases is partly attributed to the changes made in taxpayers' tax position which have affected the completion of refund cases. A lengthy refund process gives the impression that the refund system is arbitrary and provides room for fraud and leakages. Therefore, performance was rated **fair**.

Table 3.23: Tax Refunds Half Year FY 2022/23 and FY 2023/24

Tax disputes sub-indicators	July to December 2022 (Half Year)	July - December 2023 (Half Year)
A. Tax refunds		
1. No. of tax refund claims	3,056	2,335.00
2. Value of tax refund claims (Ug shs bn)	660.57	563.99
3. No. of refund claims approved	1,440	1,107.00
4. Value of refund claims approved (Ug shs bn)	348.99	254.75
5. No. of refund claims audited	1,772	2,217.00
6. Value of refund claims audited (Ug shs bn)	435.38	516.30
7. No. of tax refunds claims disallowed	827	1,110.00
8. No. of tax refunds claims disallowed as % of total claims received	27.06%	261.55
9. No. of tax refunds paid	1,440	1,110.00
10. Value of tax refunds paid (Ug shs bn)	348.99	318.59
11. Proportion of refund claims processed timeously (within 30 days)	41.36%	42.74

Source: URA Database

CHAPTER 4: CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

Despite expectations that the tax to GDP ratio would be at 16%-18% in five years (FY 2023/24) of the DRMS implementation- assuming limited reform to the tax system, some improvement in compliance, and no adverse shocks- there remains significant work to be done to achieve the desired target. This entails supportive legal changes, structural and process changes as depicted from the half year performance FY 2023/24.

Tax Policy

The capacity within the MFPED Tax Policy Department to conduct the necessary research, analysis and impact assessments remains inadequate. The performance of joint and separate publications of key analytical papers was more or less static. This could adversely impact the quality and frequency of reports and information from research conducted that are essential in assessing impacts of policies developed.

Necessary changes to some tax laws and policies are slow and hence limited the desired tax yield. For example, under VAT, although zero rated supplies decreased as a percentage of total supplies over the half year period FYs2023/24 and 2022/23, as well in comparison to the baseline, this is not premised on a reduction in items zero rated. On the other hand, the proportion of non-export zero rated supplies increased, which is not desirable for VAT. The growth in VAT does not match that of the GDP as would be expected implying the potential yield is not achieved. Similarly, the policy on deeming to allow the VAT system to function normally was not reviewed, revenue leakages persist as result of not limiting deeming to special circumstances.

Policies on personal income taxes if reviewed could achieve better performance. These have continued to encourage exemptions of significant streams of income of some citizens. Exemptions on incomes of certain citizens continue to negatively impact the revenues from personal income taxes. For example, although the total individual income tax revenue increased in the period reviewed, the total taxable income relating to PAYE and presumptive tax decreased. This is an indication that the use of tax reliefs and exemptions by certain groups adversely impacts revenue streams and the fairness objective of the DRMS. Under the excise duty regime, revenues from environmental levies remain much lower than the desired percentage of expenditure on control of pollutants.

Tax Administration

For the first half of FY2023/24, the uncollected tax to target increased by 4.9 percentage, points although in absolute terms there was an increase in revenue collection of Ug shs 1,531bn. This performance was attributed to arrears management initiatives and non-intrusive scans and inspections.

Nonetheless there were glaring areas that limited performance as key DRMS interventions that would enhance revenue performance were not implemented as desired. Several strategic documentations, plans and systems remain at various levels of partial completion i.e. the plan to manage offsets and refunds, data quality improvement strategy and the structural review and functional realignment, among others. So, several indicators did not perform as expected. For instance, the staff attrition rate increased, of which the Domestic Taxes Department continues to have the highest number of staff leaving. This is a concern as it is not only critical to revenue mobilization, but also benefits from the largest share of the training budget. It is crucial that talent is both attracted and maintained for optimal performance. In addition, although the taxpayer register grew, the growth rate has declined slightly.

4.2 Key Challenges

1. Continued delays in the completion of necessary legislative and policy changes is affecting the timely unlocking of the anticipated gains from the interventions. For example, laws affecting VAT, personal income taxes, and environmental taxes have delayed.
2. The TPD is involved in a wide range of policy issues, but inadequate skills impact the level of analysis undertaken.
3. Inadequate funding to enable the TPD and URA to fully execute their mandate and expanded scope envisaged in the DRMs interventions.
4. Significant stock of total tax arrears, indicative of increased risk of potential revenue loss.
5. Limited access to relevant data impacts the level of modelling purposes. While it is important to honour taxpayer confidentiality protocols, TPD and the URA should be able to easily access the relevant data to ensure their successful operation.
6. Lack of an official Taxpayers' Ombudsman. There is no credible and dedicated avenue for taxpayers to address administrative complaints, beyond corruption or assessment reviews.

4.3 Recommendations

1. The MFPED-TPD and the Parliament should urgently conclude the drafting, discussion and passing of the necessary tax laws that impact the DRMS.
2. The MFPED-TPD budgets should prioritize allocation of resources in building capacity to support policy development, and implementation.
3. The MFPED should increase funding to URA based on effort and attainment of results to enable them to fulfil their mandate.
4. The NITA-U and MFPED should insist on facilitating information access, exchange and sharing data among key entities in the implementation of the DRMS.
5. The URA should further strengthen mechanisms to collate and collaborate existing data sets of taxpayers and citizen information, as well enhance information sharing inter and intra country.
6. The URA should explore options that can support revenue recovery without impairing sustainability of the sources such as a more facilitative approach with taxpayers to encourage voluntary compliance and settlement of arrears.
7. The MFPED/DRMS Focal Unit should urgently review essential interventions in the DRMS and allocate responsibility centres for their implementation and action.

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ANNEXES

Annex 1: Value (and proportion) of VAT exempt supplies by type of supply

Type of Exempt supplies	Baseline FY 2019/20 - Half-year(Ug shs bn)		Half Year FY 2020/21(Ug shs bn)		Half Year 2021/22 (Ug shs bn)		Half Year FY2022/23(Ug shs bn)		Half Year FY 2023/24	
	Ug shs bn	%	Ug shs bn	%	Ug shs bn	%	Ug shs bn	%	Ug shs Bn	%
Unprocessed foodstuffs, agricultural products, and livestock	153.77	2.09	180.69	4.25	210.45	3.66	113.02	1.28	254.45	1.83
Postage stamps	141.54	1.93	44.11	1.04	0.63	0.03	0.64	0.01	75.87	0.55
Financial and insurance services	1,211.34	16.50	1,414.51	33.26	1,975.67	34.38	1,223.58	13.81	3,166.84	22.81
Supply of unimproved land	0	-	0	-	0	-		0.00	-	0.00
Sale, leasing, and letting of immovable property, excluding commercial premises	0	-	0	-	0	-		0.00	-	0.00
Education services	8.75	0.12	2.72	0.06	6.11	0.11	7.37	0.08	12.87	0.09
Veterinary, medical, dental, and nursing services	520.05	7.08	555.56	13.06	439.60	7.65	306.65	3.46	455.96	3.28
Social welfare services	0.67	0.01	0.88	0.02	0.69	0.01	1.26	0.01	1.80	0.01
Betting, lotteries, and games of chance	6.38	0.09	0.23	0.01	1.37	0.02	6.42	0.07	7.99	0.06
Supply of goods as part of a transfer of business as a going concern	0	-	0	-	0	-		0.00	-	0.00
Burial and cremation services	0	-	0	-	0	-		0.00	-	0.00
Passenger transportation services, except travel and tour operators	15.46	0.21	16.83	0.40	8.62	0.15	7.64	0.09	12.76	0.09
Petroleum fuels subject to excise duty	4,970.84	67.70	1,660.82	39.05	2,541.79	44.23	6,724.24	75.88	9,649.56	69.51
Dental, medical, and veterinary equipment	146.78	2.00	179.25	4.21	266.67	4.64	233.05	2.63	23.92	0.17

Type of Exempt supplies	**Baseline FY 2019/20 - Half-year(Ug shs bn)**		**Half Year FY 2020/21(Ug shs bn)**		**Half Year 2021/22 (Ug shs bn)**		**Half Year FY2022/23(Ug shs bn)**		**Half Year FY 2023/24**	
	Ug shs bn	**%**	**Ug shs bn**	**%**	**Ug shs bn**	**%**	**Ug shs bn**	**%**	**Ug shs Bn**	**%**
Animal feeds and premixes	66.92	0.91	114.70	2.70	210.88	3.67	192.74	2.17	172.87	1.25
Machinery, tools, and implements suitable for use only in agriculture	14.32	0.19	22.53	0.53	17.26	0.30	14.07	0.16		0.00
Crop extension services	12.28	0.17	1.52	0.04	1.81	0.03	4.91	0.06	16.63	0.12
Irrigation works, sprinklers and ready-to-use drip lines	14.32	0.19	22.53	0.53	17.26	0.30	14.07	0.16	20.89	0.15
Deep cycle batteries, composite lanterns, and raw materials for their manufacture	0.04	0.00	0.17	0.00	0.01	0.00	0.30	0.00	0.10	0.00
Menstrual cups	0	-	0	-	0	-		0.00	-	0.00
Agricultural insurance premiums or policies	0	-	0	-	0	-		0.00	-	0.00
Photosensitive semiconductor devices, light emitting diodes, solar water heaters, solar refrigerators, and solar cookers	42.79	0.58	30.25	0.71	40.70	0.71	0.99	0.01	-	0.00
Lifejackets, life-saving gear, headgear, and speed governors	4.33	0.06	5.33	0.13	4.51	0.08	5.17	0.06	3.51	0.03
Any goods and services to the contractors and subcontractors of hydroelectric power, solar power, geothermal power or biogas, and wind energy power projects	0	-	0	-	0	-		0.00		0.00
Bibles, Qur'ans, and textbooks	11.97	0.16	0.84	0.02	2.30	0.04	5.98	0.07	5.3	0.04
Supply of movie productions	0	-	0	-	0	-		0.00	-	0.00
Total	**7,342.55**		**4,253.46**		**5,746.29**		**8,862.08**		**13,881.32**	

Source: URA E-HUB

Annex 2: Uncollected Tax to Target Half Year December FY2023/24

Revenue Source	July 2022 to December 2022 (Half Year)				July to December 2023 (Half year)			
	Estimated Revenue Target	Revenue Collected	Uncollected Tax	% tax Revenue Target Unexploited	Estimated Revenue Target	Revenue Collected	Uncollected Tax	% tax revenue target unexploited
Direct Domestic Taxes								
PAYE	1,746.21	1,972.06	(225.85)	-12.9	2045.26	2273.79	228.53	11.17
Corporate Tax	919.83	860.75	59.08	6.4	1102.63	1059.01	-43.62	-3.96
Rental Tax	80.11	97.17	(17.06)	-21.3	121.27	135.63	14.36	11.84
Presumptive taxes	4.79	5.45	(0.66)	-13.8	7.31	7.90	0.59	8.11
Withholding Tax	692.71	628.93	63.78	9.2	821.36	769.49	-51.87	-6.31
Tax on Bank Interest (w/o BoU)	49.91	58.71	(8.80)	-17.6	79.46	84.67	5.21	6.56
Treasury Bills (BoU)	320.50	281.19	39.31	12.3	319.50	333.41	13.91	4.35
Casino Tax	16.27	45.58	(29.31)	-180.1	45.60	37.14	-8.46	-18.54
Other	74.27	39.49	34.78	46.8	49.29	46.88	-2.41	-4.88
Indirect Domestic Taxes								
Excise duty	984.38	919.61	64.77	6.58	1163.41	1052.69	-110.72	-9.52
VAT	1,956.30	1,784.57	171.73	8.78	2336.00	2141.98	-194.01	-8.31
International trade								
Petroleum duty	1,414.95	1,345.15	69.80	4.9	1543.33	1542.47	-0.87	-0.06
Import duty	816.04	839.80	(23.76)	-2.9	919.26	903.61	-15.66	-1.70
Excise duty	153.32	131.37	21.95	14.3	183.97	125.79	-58.18	-31.62
VAT on imports	1,804.40	1,761.51	42.89	2.4	2089.45	1697.67	-391.78	-18.75
Withholding tax on imports	111.81	103.01	8.80	7.9	151.72	109.99	-41.73	-27.51
Surcharge on Imports	135.02	136.08	(1.06)	-0.8	183.40	143.20	-40.20	-21.92
Temporary Road Licenses	52.81	68.91	(16.10)	-30.5	103.89	56.63	-47.27	-45.49
Infrastructure levy	65.97	60.29	5.68	8.6	92.90	59.37	-33.53	-36.09
Export levy	9.63	7.73	1.90	19.7	34.97	7.67	-27.30	-78.06
Non-Tax Revenues								
Motor vehicle fees (Traffic Act)	72.74	65.79	6.95	9.6	86.01	63.90	-22.10	-25.70
Drivers Permits	32.20	40.43	(8.23)	-25.6	38.19	35.84	-2.35	-6.16
Passport Fees	24.15	47.20	(23.05)	-95.4	86.09	104.66	18.57	21.57
Migration Fees	77.03	131.60	(54.57)	-70.8	104.89	65.65	-39.25	-37.42
Land Transfer Fees	7.07	2.68	4.39	62.1	4.87	2.41	-2.46	-50.59

Revenue Source	July 2022 to December 2022 (Half Year)				July to December 2023 (Half year)			
	Estimated Revenue Target	**Revenue Collected**	**Uncollected Tax**	**% tax Revenue Target Unexploited**	**Estimated Revenue Target**	**Revenue Collected**	**Uncollected Tax**	**% tax revenue target unexploited**
Transport Regulation Fees	5.89	3.69	2.20	37.4	10.93	20.08	9.15	83.74
Company Regulation Fees	147.79	79.64	68.15	46.1	0.09	0.07	-0.03	-29.41
High Court Fees	8.25	3.35	4.90	59.4	8.50	8.63	0.13	1.55
Mining Fees & Royalties	9.23	4.27	4.96	53.7	8.57	11.02	2.46	28.68
Uganda Reg Services Bureau	41.79	38.80	2.99	7.2	42.67	32.52	-10.15	-23.79
Occupational Safety & Health (Gender)	1.81	8.99	(7.18)	-396.7	2.45	4.36	1.91	77.88
Other NTR (MDAs)	118.55	295.55	(177.00)	-149.3	402.39	458.49	56.10	13.94
Stamp duty & Embossing Fees	58.95	54.53	4.42	7.5	66.77	58.29	-8.48	-12.69
Summary:								
Direct Domestic Taxes	3,904.60	3,989.33	(84.73)	-2.2	4,591.67	4,747.93	156.26	3.40
Indirect Domestic Taxes	2,940.68	2,704.18	236.50	8.0	3,499.40	3,194.67	-304.73	-8.71
International Trade Taxes	4,563.95	4,453.85	110.10	2.4	5,302.90	4,646.40	-656.50	-12.38
NTRs including stamp duty	605.45	776.52	(171.07)	-28.3	862.41	865.92	3.50	0.41
Total	**12,014.68**	**11,923.88**	**90.80**	**0.76**	**14,256.39**	**13,454.91**	**-801.48**	**-5.62**

Annex 3: Media publications

PLATFORM	TITLE	DATE	LINK
The URA Bridge	Heard about Geospatial Intelligence? Do You Know How it Works? Click on the Link Below to Learn more	06/July/2023	https://bridge.ura.go.ug/Documents/Guidelines/5.%20GIS/TID%20Geospatial%20Brochure-Pages.pdf
ISSP Team	Proposed TID content for upload on the New URA webportal	21/July/2023	PDF Mail on TID Content for New Webportal.pd
Tax Crime Watch-Africa	Chinese business director in hot soup for tax fraud in Uganda	20/Aug/2023	https://taxcrimewatchafrica.wordpress.com/2023/08/20/a-chinese-business-director-in-hot-soup-for-tax-fraud-in-uganda/
Tax Crime Watch-Africa	Indian businessmen to serve their time in jail for selling fake tax invoices in Uganda	11th/Aug/2023	https://taxcrimewatchafrica.wordpress.com/2023/08/11/indian-businessmen-to-serve-their-time-in-jail-for-selling-fake-tax-invoices-in-uganda/
Tax Crime Watch-Africa	Notorious leader of 1n Indian tax fraud scheme in Uganda sent to prison	11th/Aug/2023	https://taxcrimewatchafrica.wordpress.com/2023/08/11/notorious-leader-of-indian-tax-fraud-scheme-in-uganda-sent-to-prison/
X (formerly Twitter)	Alarming state of tax evasion by betting companies	31/Dec/2023	https://twitter.com/TaxCrimeWatch/status/1741564806484615622
Tax Crime watch on Word Press.com	Uganda Losing billions of taxes from Betting Companies	01/Jan/2024	https://taxcrimewatchafrica.wordpress.com/2024/01/01/uganda-losing-billions-in-taxes-from-betting-companies/
Daily Monitor	Articles on trade-based money laundering in Uganda's coffee industry were published in Monitor.	17/ 10/ 2023	

Annex 4: Status of DRMS Tax Policy Interventions

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
Objective 1: Process reform and institutional changes					
1.	Reform of the tax policy-making process	2021/23	No. of tax-related proposals received from non-state stakeholders in a year.	H	Tax-related proposals were received but were not distinguishable between non-state stakeholders and from other stakeholders. The performance declined from 66% achieved in FY 2021/22 to 10% in FY 2022/23.
			No. of tax-related proposals received from stakeholders within the Government in a year		
			No. of revenue measures adopted from tax proposals from non-stakeholders in a fiscal year		

2.	Elevate the status of taxation within MFPED	2022/23	Tax policy department budget as % of MFPED budget	H	The Tax Policy Department's (TPD) appropriated budget decreased from Ug shs 13.2bn to Ug shs 12.75bn in FY 2022/23 representing a 5.56% decrease, whereas the total MFPED budget greatly increased by 6.9%.
3.	Enhance the analytical capacity of TPD & URA	2021/23	No. of tax-related analytical papers published per year. No. of related analytical papers published by TBD/URA staff per year.	H	The No. of tax-related analytical papers published per year reduced significantly in FY2022/23. Four tax-related analytical papers were published, which was less than the 10 published in the previous F/Y2021/22.
4.	Address TPD structure and staffing/training needs	2021/23	No. of TPD staff attended specialized training in a year.	H	Ten members of staff attended a specialized training, which indicated a slight improvement from the previous FY when no trainings were conducted.
5.	Strengthen partnerships with URA and formalize arrangements	2020 /22	No. of tax-related analytical papers jointly published by TPD and URA staff	H	One paper was jointly published by URA and TPD. In the same period, FY2021/22, two analytical papers were jointly published.
Objective 2: VAT					
6.	Limit the range of zero-rated-supplies as far as possible	2021/23	Zero-rated VAT supplies as % of total VAT supplies	H	The proportion of export goods to total zero-rated supplies was 96% in FY 2022/23 compared to 91% in the FYs 2021/22.
			Zero-rated VAT supplies (non-export items) as % of total VAT zero-rated supplies	H	International transportation of goods and passengers increased by 0.06 percentage points in FY2022/23.
			Zero-rated supplies (export items) as % of total exports	H	Supplies of educational materials used in schools, colleges and institutions decreased by 5.38 percentage points in FY 2022/23, indicating a reduction in imports and an increase in local production.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
7.	Remove unnecessary VAT	2021/23	VAT-exempt supplies as % of Total VAT supplies	M	The value of exempt supplies as a proportion of total supplies

	exemptions to curb unjustifiable revenue leakages		Value (and proportion) of VAT exempt supplies by type of supply		increased to 17% in FY 2022/23 from 14.33% in FY2021/22. This increase was 1.26 percentage points from the baseline (FY 2019/20).
8.	Narrow deeming provisions	2021/23	Value of deemed supplies as a % of total supplies made to government	H	The proportion of the value of deemed supplies to total supplies to the government was 81%, this was an increase from 66% and 60% registered in FYs 2021/22 and 2020/21 respectively. The value of VAT foregone on account of deeming decreased slightly from Ug shs 1,218.949bn in FY 2021/22 to Ug shs 1,030bn in FY 2022/23, representing a 15% decrease.
9	Re-assess the registration threshold and rate	2021/23	No. of VAT payers and tax paid per turnover bracket. Review the current VAT threshold Conduct study in FY2021/22. Looking at the impact of adjusted VAT rate and threshold	M	The number of taxpayers per turnover band in FY 2022/23 increased in all bands compared to FY 2021/22. Those whose turnover is less than Ug shs 150 million (voluntary registrations) registered the highest increase in the number of taxpayers.
10	Standardize government best practices	2021/23			Not assessed.
Objective 3: CIT					
11	Maintain support for priority sectors	N/A	Tax buoyancy	H	The tax revenue decreased more than the GDP. Thus, support to priority sectors of the economy was not achieved.
12.	Support workforce education/training	2021/23	Proportion of technical staff handling domestic taxes that have requisite qualifications (PODTRA)	H	The Domestic Tax (DT) staff were trained in 21 different fields, and this translated into a 68.1% increase in the number of DT staff trained compared to the previous FY 2021/22.
13.	Rebalance the nominal rate and the incentives, deductions, and depreciation regime.	2021/24	CIT Effective Tax Rate Allowable deductions as % of gross income in a year	H	Substantial declines in profitability of companies due to elevated operational costs.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
14.	Review and renegotiate overgenerous treaty provisions	2022/24	Tax value of approved applications for DTA from taxation as a % of taxable income	H	The negotiation of the Uganda-Turkey DTA was done and the ratification process of the Uganda-Mauritius DTA was in progress.
			No. of applications for DTA-related exemption/reduction from taxation		
15	Strengthen international tax rules and enforcement	2021/23	Effective corporate tax rate (foreign firms)	H	The CIT-ETR for foreign firms was 2.32%, a decline from 2.65% in FY 2021/22. However, this was much lower by 19% percentage points compared to the CIT-ETR for local firms indicating lower tax revenues from foreign firms.
15	Improve information sharing domestically and internationally.	2021 /24	Percentage of [outgoing] tax-related information requests honoured.	M	The number of tax-related requests reduced over the years indicating improved transparency on taxpayer's transactions.
Objective 4: PIT					
17	Review exemptions and consider alternative approaches	2021/22	PIT Effective Tax Rate	H	Ongoing. The PIT Effective Tax Rate increased by 18 percentage points in FY2022/23.
14.	Address thresholds, bands, and rates	2021 /23	Number (and proportion) of taxpayers by income bands	M	Uganda taxes the poor through PAYE resulting in reduced disposable income and limited savings. A large informal sector that is untaxed.
19	Consider scope to encourage saving through the PIT system	2021/24	Percent increase in gross capital formation (dwellings)	M	On track. The percentage increase in gross capital formation (dwellings) in FY 2022/23.
			Level of savings in Uganda		
10	Address weaknesses in rules for taxing rental income	2021/22	Effective rental income tax rate	H	Not on track. URA has not yet tapped into 50% of its employed tax base as only 3.3 of the 9 million employed population filed for taxes at the end of the FY.
			Rental income tax revenue as % of sectoral GDP (real estate activities)		
			Active rental income taxpayers as % of total rental income taxpayers (commercial buildings)		

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
			Active rental income taxpayers as % of total rental income taxpayers (residential buildings)		
Objective 5: Incentives and Exemptions					
21	Consider Measures to encourage youth into the formal workforce	2022/24	Not Assessable	**H**	Not assessed, Indicator under review. The original indicator was **“Tax revenue foregone through tax incentives for the youth”**.
22	Establish and publish a Tax Expenditure Governance Framework	2021	Value (and share to total revenue) of tax expenditures Tax exemptions as % of GDP	**H**	Not assessed.
Objective 6: Excise Duties					
23	Develop a broader scheme of environmental taxes	2021/24	Revenue from environment-related taxes as a percentage of public expenditure on environmental control	**M**	Ongoing
24	Rationalize multiple rates	2021/23	Not Assessable	**L**	Ongoing
24	Introduce and enforce strict regulations for excisable industries	2021/22	No. of drivers arrested for drink driving in a year. % respondents indicating they know school pupils consuming alcohol and tobacco	**M**	Not Assessed, Indicators under review.
26	Consider revised approach to inflation adjustments.	2021/22	Effective excise duty rates by excisable items	**M**	Not assessed.
Objective 7: Extractives Industry					
27	Fine-tune the framework for taxing the extractives industries	2021/22	Average effective tax rate (oil) Average effective tax rate (mining) Resource Governance Index score for Uganda	**H**	Ongoing
Objective 8: International Trade					
28	Balance the objectives of export promotion, revenue generation, and support to domestic industry	2021/22	Effective import duty rates Percent change in value of nonoil exports Percentage change in selected imports vis-à-vis sales and exports of similar domestically produced commodities.	**H**	The Effective Protection Rate (EPR) was significantly low, i.e. with the EPR below 10% covers a 21% proportion of the total items which is big and lower than the nominal tariff rate.

29	Improve interagency coordination and infrastructure	2021-2024	Time taken to clear imported goods (non-warehoused goods) Time taken to clear exports % variance in mirror statistics on imports from selected trading partners	**M**	On track. The clearance time at the border points has improved to 1.02 days in FY 2022/23 from 5.8 days in the baseline year (2018/2019) against a target of 2 days. This implies that there is improved data sharing among trade regulatory agencies and faster document processing times.
Objective 9: Non-Tax Revenue					
30	Streamline the policy on NTR	2020/21	NTR as a percent of GDP	**L**	The NTR as a percentage of GDP increased to 1.02% in FY 2022/23 from 0.98% in FY 2021/22. The performance was more than 0.5% of GDP and has steadily increased over the FYs. The policy especially in regards to determining NTR targets and sources, and directives to have NTR collections done through the URA system needs strengthening.
Objective 10: Local Government Taxes					
31	Work with local government to strengthen analysis, monitoring, and reporting	2021-2024	LG own revenue achievement rate Transfers from central government to local governments as % of total LG revenue LG own revenue as % of GDP Active LG taxpayers as % of total number of LG taxpayers Develop a guiding framework for LG taxation and the linkage with CG tax systems. Adopt an integrated approach to the introduction of LG fees and charges	**L**	Ongoing. The LG own revenue achievement rate increased to 61% in FY 2022/23 from 48.7% in the baseline year FY2019/20.
Objective 11: Externally Funded Projects					
32	Review the taxation of donor-funded projects	2021-2023	Effective duty rate (imports of donor-funded projects) Income tax paid by expatriates for donor-funded projects as % of total income tax from nonresidents. VAT revenues on imports	**M**	Not assessed.

			PAYE revenues from foreign expatriates Value of donor projects in Uganda Custom duty revenues for aid projects		
Objective 12: Digital Economy					
33	Address the impact of the digital economy on the tax base	2021/22	Revenue collected from web-based businesses as % of total URA revenue No. of active taxpayers classified as web-based businesses	H	On track. There was an increase in the ratio relating to revenue collected from digital businesses i.e., from 0.00277% in FY2021/22 to 25.63% in FY2022/23.

Source: MFPED Tax Policy and Field Findings

Annex 5: Status of DRMS Tax Administration Interventions Status of Implementation of Key Tax Administration Interventions in the DRMS

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
Objective 1: Governance					
1.	Review the URA structure and consider reorganization to promote integration	2020/21	Managerial Effectiveness Index	H	Annual survey required but not assigned. This intervention is pending and long overdue.
2.	Expand the range of measures for assessing URA's performance to reduce reliance on collection targets	2020/21	Tax collection to target	H	The uncollected tax to target has improved to -0.4% in FY 2022/23 from 11% in FY 2019/20 (baseline). In addition, collections have increased by 31%. Over the same period.
			Growth in active taxpayer population	H	There has been a 40% growth in the active Taxpayer population from the baseline year of 2020/21
			% filed on-time filing and payment rates.	H	• URA is still unable to provide On-time payment rates. • Filing rates (for WHT, PAYE, VAT, Excise) have declined from the baseline year (2029/20) by 8 percentage points to 72%. • On-time filing rates have improved by 25 percentage points to 91%.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
			Proportion of tax arrears collected	H	Although the total arrears stock has increased by 49% from the baseline year (2019/120), the Arrears collected as % of total arrears has also increased by 20 percentage points over the same period. This implies that the collection effort is growing. (Also note within the same year the MFPED wrote off tax arrears for different taxpayers for domestic and customs taxes amounting to Ug shs 809.73 bn)
			Tax effort	H	Not Assessed
3.	Strengthen the oversight function of the URA Board and the Minister	2020/21	Proportion of URA Board resolutions implemented by URA. No. of formal meetings between the URA Board and Minister of Finance	H	Not Assessed
4.	Separate Internal Audit and Staff Compliance functions to enhance dedicated attention given to corruption and staff integrity issues	2021/22	Public perceptions of corruption among tax officials (% respondents saying "most" or "all" of tax officials are corrupt) The proportion of URA job applicants that passed the ethics test.	M	The internal Audit and staff compliance functions have been separated. However, indicator data has never been provided to enable tracking of outcomes.
5.	Establish a separate Taxpayers' Ombudsman to investigate service-related complaints	2021-23	No. of taxpayer complaints received relating to mistakes, omissions, and oversights in tax administration, undue delays, poor or misleading information, unfair treatment, and staff behavior at URA.	H	A separate Taxpayers' Ombudsman has not been established. Indicator data is not available.
Objective 2: Lifting the Human Resource Capacity at URA					
6.	Conduct an independent staffing review	2020/21	Taxpayer/technical staff ratio by tax group	H	The ratio of taxpayers to technical staff has increased from 1:67,607 in the baseline year (2019/20) to 1: 109,077. This is despite an increase in technical staff by 36% from the baseline.

			Revenue per URA staff (by tax group)	**H**	Revenue per capita has increased by 2 percentage points from the baseline year (2019/20).
7.	Complement a comprehensive training strategy and develop a URA tax training academy	2021-2023	Proportion of technical staff that completed basic training in taxation.	**H**	The proportion of technical staff that completed basic training in taxation has increased by 16 percentage points from the baseline year (2020/21).
8.	Review the URA performance management and reward system	2021-2023	Staff attrition rate	**M**	The staff attrition rate has declined by 4 percentage points from the baseline year (2019/20).

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
Objective 3: Data Management and Analytics					
9.	Prioritize a data quality improvement strategy and develop processes to maintain data quality	2021/22	Percentage of data records that are complete.	**H**	Not Assessed; Progress could not be tracked due to the unavailability of data
10.	Empower URA to access relevant third-party data	2021/22	PAYE filers as a % of total NSSF contributors' employers	M	Data scarcely availed. This intervention is pending and long overdue. There are MoUs in place, but the data sharing is not at the level as intended by the DRMS.
			Active TINs (rental income tax) as % of active NWSC nondomestic clients		
			Active TINs (income tax) as % of active UMEME commercial clients		
			Active TINs as % of potential taxpayers identified from overall third-party data		
11.	Develop a cross government policy framework for data sharing and management	2021/22	No. of forced taxpayer registrations made in a fiscal year	**H**	Not assessed. Progress could not be tracked as data was not available for quantitative analysis.
12.	Create a formal data skill development plan	2021-2023	Proportion of staff trained in data analytics	**M**	No formal data plan is in place and the proportion of staff trained in data analytics has declined by 2 percentage points from the previous financial year (there is no baseline data available).
Objective 4: Information, Communication, and Technology Infrastructure.					

13.	Design and implement a medium-term ICT strategy	2021/22	Percentage of URA internal ICT-related key performance indicators achieved.	H	Not on track. There was no ICT strategy with verifiable indicators in place. We have had no response to this indicator for the past 3 years.
14.	Review options available and based on a proper assessment of costs, benefits, and needs, upgrade or invest in a new eTax system	2021/22	Development of etax2 is underway.	H	Ongoing.
15	Standardize key government systems to improve integration	2021-2024	To be determined	H	Indicator not developed yet is a high priority. However, NITA-U has developed a data sharing and integration platform and by the end of FY 2022/23, this platform had been rolled out to forty-three (43) public and private entities.
Objective 5: Taxpayer Registration					

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
16	Regularly detect and de-register "ghost" taxpayers to cleanse the taxpayer register	2021-2024	1. Number of new taxpayers registration 2. % reductions in duplicate TINs, taxpayer profiles cleaned 3. %age of revenue collected against the target	M	There has been an effort to deregister inactive Taxpayers within the select functional areas (Income Tax, VAT and Excise duty) This has improved by 5 percentage points from the baseline year (2020/21).
17	Expand the use of the biometric National ID for registration	2021/22	Percentage of personal TINs linked to NINs.	H	This only became a requirement in January of 2022. No data was provided in FY 2022/23.
18	Improve URA access to external data to identify potential taxpayers	2021/22	No. of new potential taxpayers identified and registered from external data (NSSF, NWSC, UMEME)	H	Not on track. Although the number of new taxpayers identified has increased slightly from the baseline year, the percentage share of those identified through external data is low and has declined by 88% from last FY (no baseline data available).
19	Adopt a simple and fully online registration system for those with internet access	2021-2023		M	On track. A simple online registration system for taxpayers was completed in December 2021 and is in use.

20	Enforce registration as a qualifying requirement for professions and key trades	2021/22	No. of forced or amended registrations effected.	H	Not on Track. URA doesn't collect data on forced registrations.
21	Promote political messaging supportive of a "civic duty to register	2020/21	Voluntary registrations as % of new registrations	H	Information for FY 2022/23 was not availed though it has been previously tracked.
Objective 6: Taxpayer Education, Services and Communication					
22	Develop and test a taxpayer engagement strategy premised on research and survey analysis	2021-23	Revenue-related strategies adopted from feedback from tax education and compliance campaigns as a percent of total revenue-related strategies adopted and implemented by URA.	H	Requires a survey and this hasn't been assigned or funded.
23	Produce clear, comprehensive, and easy-to-navigate tax guides for taxpayers	2021-2024	Tax administration competence perceptions index. Tax compliance costs as % of tax paid.	M	Requires a survey and this hasn't been assigned or funded.
24	Make online services more user-friendly and intuitive	2021-2024		M	The indicator requires review to enable assessment. Requires a survey and this hasn't been assigned or funded.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
25	Regularly conduct taxpayer perception surveys	2021-2024	Conduct a survey where sampled taxpayers would be asked the amount of time and money spent on compliance activities (reviewing tax rules, maintaining financial books and other business records for tax purposes, preparing tax records (including money paid to tax advisors), completing and submitting all tax forms, costs incurred while making tax payments).	H	Requires a survey and this hasn't been assigned or funded.
Objective 7: Timely and Accurate Filing					

26	Introduce measures to strengthen the effectiveness of self-assessment	2021/22	Penalties collected for non-filing and late filing of returns. Enforcing strict penalties for non filing and late filing is one of the measures recommended to strengthen the effectiveness of self-assessment.	**M**	Not on Track. Value of assessments/payable revenue from penalties for late filing has reduced by 89% from the baseline year of 2019/20 alongside a 24% improvement in on-time filing rates over the same period.
27	Adopt monitoring of inaccurate reporting as part of URA's routine work	2021-2024	Additional revenue identified (and realized) from audit of returns for inaccurate reporting as percent of total tax collected from large taxpayers and high net worth individuals.	**H**	Indicator needs review. The revenue collected from audits cannot be directly provided as audits issued in one financial year are not typically paid in full within that same year and therefore it's hard to tag time and money for audits.
28	Work more closely with relevant regulators to improve filing compliance	2020/21	No. of taxpayers denied renewal of licenses due to failure to meet their tax obligations as percent of the total number of non-filers identified.	**H**	Indicator needs review. No response from the KCCA. BoU and the Local Governments do not deny licenses, instead, they work with them to get all the requirements.
29	Address infrastructure constraints by offering points for connection across the country	2021/22	No. (and percentage) of returns filed through URA-sponsored connection points.	**M**	Indicator needs review.
Objective 8: Timely Payment					
30	Prioritize strategies to reverse the current arrears and audit trends	2021/22	total tax arrears at the start of the fiscal year	**H**	Progress noted: Total arrears stock (at the start of the fiscal) has increased by 24% from the baseline year (2019/20). However, tax arrears recovered have increased by 74% over the same period.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
31	Investigate options for enhancing the use of electronic payment methods, including mobile money	2021-2023	To be determined	**M**	Progress noted: Although payment through Bank counters remains the most popular, there has been an increase in the use of electronic payments, i.e. Mobile Banking has increased by 106% in absolute terms.

32	Streamline tax debt collection and improve transparency	2020/21	Tax arrears collected as % of total outstanding tax arrears	H	Progress noted: This has improved by 4 percentage points from the baseline (2019/20).
			Proportion of tax arrears collected through third parties.		Consider reviewing the indicator; URA does not use external tax arrears collectors. They use MOUs, Agency notices and Alternative dispute resolutions.
			Tax arrears written off as percent of uncollectible arrears		Data not availed.
33	Prepare management reports regularly to allow for better-informed tax collection policies	2021-2023	No. of reports on the status of tax arrears discussed by MFPED top management- policy action taken on the findings in these reports.	H	Consider a review of the indicator.
Objective 9: Audit					
34	Consider the adoption of real-time digital sales and production monitoring systems	2020-2023	Percent increase in average amount of VAT paid by firms-minimize tax evasion through under-declaration of sales, especially VAT supplies	H	Information for this FY (2022/23) not availed.
35	Strengthen URA's audit function by adopting modern audit tools, enhancing the use of risk-targeting, and increasing the number of "mass audits"	2020-2023	• Tax audits conducted. • No. of tax audits conducted by tax type • Automated audits as % of total tax audits, • Additional tax assessed from audit. • Additional tax assessed from audit of the hospitality sector • Audit yield (% of tax assessed from audit that was collected) • No. of lifestyle audits undertaken among risky individuals, and Additional tax assessed from lifestyle audits.	H	Partially on track. All tax audits are automated although the other information was not availed this FY.
36	Bring the entire audit and payment process online	2021/22	Online tax audits as % of total tax audits conducted	H	This indicator needs to be revised or deleted. All Audits are online.
37	Promote audit process integration across taxpayer offices at URA	2021-2023	No. of joint tax audits conducted (involving VAT, income taxes, excise taxes and customs)	M	This indicator needs to be revised or deleted. URA doesn't base joint audits on tax heads. It bases them on the risks identified.

S/No	Intervention	Implementation Timeframe	Activities/Indicators	Priority Level	Status (As at FY 2022/23)
38	include reports on audit activities and outcomes as an integral aspect of reports to MFPED	2021-2024	No. of reports on tax audit activities discussed by MFPED top management.	**M**	This indicator needs to be revised or deleted.
Objective 10: Investigations and Enforcement					
39	Prioritize information from internal risk assessment indicators when initiating cases	2020/21	No. of tax audit or investigation cases initiated based on information from internal risk assessment indicators	**H**	This indicator needs to be revised or deleted.
40	Implement the Automatic Exchange of Information and common reporting standards for tax purposes	2020/21	No. of tax evasion cases detected at URA	**H**	On track. Tax evasion cases detected have increased by 17% from the baseline (2020/21).
			No. of new taxpayers identified through tax investigations		This indicator needs to be revised or deleted.
			Count of Tax Treaties signed		This indicator needs to be revised or deleted.
			Revenue-gained from treaties		This indicator needs to be revised or deleted.
41	Enhance resources to equip scientific laboratories and investigations personnel	2020-2023	No. of forensic tax investigations completed.	**H**	On track. Investigations have increased by over 100% from the baseline (FY 2020/21).
42	Intensify penalties for non-compliance and increase the number of tax investigations	2020-2023	Tax investigations and related enforcements conducted- (i) No. of tax investigations initiated, (ii) No. of tax investigations completed, (iii) Tax value of tax investigations completed, (iv) Amount of penalties collected for tax noncompliance, (v) No. of cases against which asset seizure was done, (vi) No. of criminal prosecutions initiated relating to tax non-compliance	**M**	This indicator needs to be revised or deleted. Information not availed for this FY.
43	Publicize the results of enforcement initiatives	2021-2024	No. of media reports on results of URA tax enforcement initiatives.	**L**	On Track. URA has consistently been publishing and tracking engagements.
Objective 11: Despite Resolution					

44-47	Facilitate TAT to expeditiously deal with cases by increasing staff numbers and training	2021/22	(i) No. of outstanding tax disputes, (ii) Tax value of outstanding tax disputes, (iii) No. (and tax value) of cases lodged at the Objections and Appeals Unit (OAU), (iv) No. (and tax value) of cases resolved by the OAU, (v) No. of new tax disputes lodged to TAT, (vi) Value of new tax disputes lodged, (vii) No. of tax disputes resolved, (viii) Value of tax disputes resolved, (ix) Proportion of tax disputes resolved within 6 months of lodging the case, (x) Proportion of TAT cases escalated to the High Court, (xi) Tax value of cases escalated to the High Court, (xii) TAT expenditure as % of net revenue collected by URA, (xiii) TAT Capex as % of total TAT expenditure, (xiv) TAT expenditure on training as % of total TAT expenditure.	**H**	Not on Track: 1. the No. of outstanding tax disputes (excluding new cases) has increased by over 100% from last FY (2021/22), the proportion of tax disputes resolved within 6 months of lodging the case has reduced by 34 percentage points and the proportion of cases escalated to the high court increased from 12 to 38, over the same period. 2. TAT is still very much underfunded and understaffed.
45	Provide adequate funding for TAT to cover infrastructure and resource constraints	2021/22	No. (and value) of tax objections and appeals	**M**	The indicator requires review. Mismatch with intervention.
46	improve the perception of OAU and TAT among the public	2021-2024	Proportion of taxpayers that perceive the OAU and TAT to be fair and independent	**H**	Requires a survey that hasn't been assigned, so no progress is registered.
Objective 12: Processing of Tax Refunds					

47	Develop a plan to streamline the management of offsets and refunds, including automatic cross-matching of taxpayer declaration	2020/21	(i) No. (and value) of tax refunds, (ii) No. (and value) of refunds approved, (iii) No. (and value) of refund claims audited, (iv) No. (and value) of tax offsets (including VAT offsets), (v) VAT offsetting taxpayers as % of total VAT registered payers, (vi) Proportion of refund claims processed timeously (within 30 days), (vii) No./value of tax refunds paid, and (viii) Tax refund claims rejected as % of total claims received.	H	Progress noted; Proportion of refund claims processed timeously (within 30 days) has improved by 40 percentage points from the baseline year (2019/20).

Source: MFPED Tax Policy and Field Findings